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A symposium on New Labour and the modernization of public management

Introduction to the symposium on New Labour and the modernization of public management

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Public sector added value can bureaucracy deliver?

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From long-term to short-term contracting

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'What counts is what works'?

Constructing evaluations of market mechanisms

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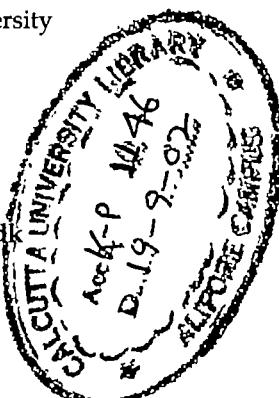
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CONTENTS

ARTICLES: A symposium on New Labour and the modernization of public management

Introduction to the symposium on New Labour and the modernization of public management

GEORGE BOYNE, IAN KIRKPATRICK AND MARTIN KITCHENER 1

Public sector added value: can bureaucracy deliver?

PETER M. JACKSON 5

From long-term to short-term commitment
JAN-ERIK LANE 29

'Out of sight, out of mind': assessing the impact of markets for children's residential care

IAN KIRKPATRICK, MARTIN KITCHENER AND RICHARD WHIPP 49

Planning, performance and public services

GEORGE BOYNE 73

'What counts is what works'? Constructing evaluations of market mechanisms

JANET NEWMAN 89

EUROPEAN FORUM

Local councillors: between local 'government' and local 'governance'

KARIN HANSEN 105

The enemy within: intragovernmental politics and organizational failure in Greek privatization

GEORGE PAGOULATOS 125

Cultural aspects of Europeanization: the case of the Scottish Office

JAMES SMITH 147

PUBLIC MANAGEMENT

Works in theory but not in practice? The role of the precautionary principle in public health policy

KENNETH CALMAN AND DENIS SMITH

185

Trends in public participation: part 1 – local government perspectives

VIVIEN LOWNDES, LAWRENCE PRATCHETT AND GERRY STOKER

205

REVIEWS

Scandinavian studies of power and democracy. A review article

EVA SØRENSEN AND JACOB TORFING

223

Edward Page and Vincent Wright (eds.), *Bureaucratic elites in Western European states: a comparative analysis of top officials*

LIESBET HOOGHE

233

Pat Gray and Paul 't Hart (eds.), *Public policy disasters in Western Europe*

ROLAND CZADA

235

David Hine and Hussein Kassim (eds.), *Beyond the market: the EU and national social policy*

GERDA FALKNER

237

Ben Rosamond, *Theories of European integration*

CHRISTOPH KNILL

238

Bruno S. Frey and Reiner Eichenberger, *The new democratic federalism for Europe. Functional, overlapping and competing jurisdictions*

JØRGEN GRØNNEGAARD CHRISTENSEN

239

P.M. Barnes and I.G. Barnes, *Environmental policy in the European Union*

MICHAEL SKOU ANDERSEN

240

John M. Owen and Patricia Rogers, *Program evaluation. Forms and approaches*

INGER MARIE STIGEN

241

Tineke Abma (ed.), *Telling tales: on evaluation and narrative. Advances in program evaluation, volume 6*

IAN COLVILLE

243

Su Maddock, *Challenging women. Gender, culture and organization*
HANNE NEXØ JENSEN

245

Richard Freeman, *The politics of health in Europe*
TED MARMOR

246

Françoise Dreyfus, *L'invention de la bureaucratie. Servir l'état en
France, en Grande-Bretagne et aux États-Unis (XVIII^E–XX^E siècle)*
EDWARD C. PAGE

247

NOTES FOR CONTRIBUTORS



CONTENTS

ARTICLES

An exocet in a red box: parliamentary accountability in the Sandline affair

CHARLES POLIDANO

249

The lost legitimacy: property, business power and the constitution

MICHAEL MORAN

277

Performance management, evaluation and learning in 'modern' local government

IAN SANDERSON

297

Localization and partnership in the 'new national health service': England and Scotland compared

BOB HUDSON AND BRIAN HARDY

315

Different seeds in the same plot? Competing models of capitalism and the incomplete contracts of partnership design

IAN BACHE

337

EUROPEAN FORUM

Evaluation in France a component of territorial public action

JOSEPH FONTAINE AND PHILIPPE WARIN

361

The maintenance of executive capacity in Germany: revisiting the annual budget of the European Union

G.P.E. WALZENBACH

383

Radical reform in New Zealand: crisis, windows of opportunity, and rational actors

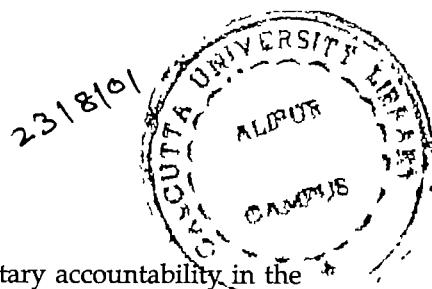
JOEL D. ABERBACH AND TOM CHRISTENSEN

403

EU programme management 1977-96: a performance indicators analysis

ROGER LEVY

423



PUBLIC MANAGEMENT

- Trends in public participation: part 2 – citizens' perspectives
VIVIEN LOWNDES, LAWRENCE PRATCHETT AND GERRY
STOKER

445

- Funding supported accommodation: financial and administrative
implications of reforming housing benefit

ANDREAS CEBULLA

457

REVIEWS

- Prisoners of professionalism: on the construction and responsibility
of political studies. A review article

MARK BEVIR

469

- Reply to Mark Bevir: 'Prisoners of professionalism'

JACK HAYWARD

490

- Paradigm politics

HUGH T. MILLER

491

- Additional comments on modernist empiricism

MARK BEVIR

495

- S.E. Finer, *The history of government from the earliest times*

HUGH BERRINGTON

497

- B. Guy Peters, R.A.W. Rhodes and Vincent Wright (eds),
*Administering the summit: administration of the core executive in
developed countries*

GORDON SMITH

500

- Christopher Hood, Oliver James, George Jones, Colin Stott and
Tony Travers, *Regulation inside government: waste watchers, quality
police and sleaze busters*

JOSEPHINE KELLY

502

- Ivor Richard and Damien Welfare, *Unfinished business: reforming the
House of Lords*

DONALD SHELL

503

- Allan McConnell, *The politics and policy of local taxation in Britain*

ARTHUR MIDWINTER

504

- Richard P. Nathan, *Social science in government: the role of policy
researchers*

EVERT VEDUNG

505

Stuart S. Nagel (ed.), *Critical issues in cross-national public administration: privatization, democratization, decentralization*
ANNE METTE KJÆR

507

NOTES FOR CONTRIBUTORS

ARTICLES

INTRODUCTION TO THE SYMPOSIUM ON NEW LABOUR AND THE MODERNIZATION OF PUBLIC MANAGEMENT

GEORGE BOYNE, IAN KIRKPATRICK AND MARTIN KITCHENER

It has been argued that Conservative governments in the 1980s and 1990s tended to base the organization of public services 'more on faith and doctrine than on demonstrable track record' (Pollitt 1995, p. 150). In May 1997, the election of a new Labour government was presented as an opportunity to replace ideological dogmatism with pragmatism and emphasize that 'what counts is what works'. The stated aim is to achieve 'better policy making, better responsiveness to what people want, better public services' (Cabinet Office, 1999, p. 9).

An early outcome of the modernization agenda has been a partial retreat from the belief in competitive markets as a solution to the problems of public service provision. Greater attention is now being given to 'joining up' (Cabinet Office 1999, p. 11) those public services that became increasingly fragmented under the previous regime. This shift is illustrated by the abolition of compulsory competitive tendering in local government and attempts to extend, to three years, the time span of contracts in health services. There have also been various policy pronouncements regarding the need for greater collaboration between purchasers and providers, and for more strategic inter-agency approaches towards the development of public services. Such changes have meant that public managers now operate

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within an institutional context shaped by a different set of policies. This, in turn, has created new pressures and contradictions, as well as opportunities for change.

It would, however, be a mistake to exaggerate the extent of change. For example, New Labour has not reversed the privatization of major public utilities such as water, electricity and transport. Other continuities between the current administration and their predecessors include the attempt to place public sector professionals on tap rather than on top, by standardizing practice and introducing more coercive forms of regulation and audit. Also notable is new Labour's enthusiasm for private sector management practice (for example, in secondary education) and its goal of promoting entrepreneurship and innovation in public services. All of this suggests that while 'the terminology of compulsion and competition have changed to that of partnership and "best value", the momentum of restructuring, cost control and performance indicators remains' (Webb, 1999, pp. 751-2).

A related point is that the agenda for management change set out by new Labour may be as prescriptive as that imposed under the Conservatives. The claim that decisions about how to manage public services will be based on pragmatic criteria may sit uneasily alongside the goal of favouring private sector approaches to management. A pragmatic approach may also be inconsistent with the desire to establish some kind of 'third way' between markets and hierarchies, for example by using relational contracts and public/private partnerships. Although such policies imply a rejection of the dogma of market forces, they are still prescriptive in the sense that they promote one model and reject a return to alternatives such as 'traditional' hierarchy. This may imply that the key change under new Labour is that the prescriptive content of public policy is more effectively concealed by a general discourse that emphasises pragmatism and modernization. As Flynn (1999, p. 597) argues 'policies that look practical and pragmatic now would have seemed ideological a decade ago and would be described as such now in the rest of Europe'.

The aim of this symposium is to begin to develop a more critical understanding of the elements of change and continuity and to explore their implications for public management. To address these objectives, the papers concentrate on three issues that are central to Labour's modernization agenda: first, the general shift in governance structures from markets towards either bureaucracy or a 'third way' characterized by networks; second, the issue of strategic planning that has been given centre stage within the modernisation project that proclaims a need for a 'long-term programme of improvement' (Cabinet Office 1999, p. 6) and for 'improving and extending our contingency planning' (*ibid.*, p. 16); third, wider concerns about how managers and policy makers identify and evaluate 'what works'.

The first three articles featured in the symposium are concerned primarily with alternative modes of governance in public services. Peter Jackson analyses the relative effectiveness of markets and state bureaucracy as insti-

tutions that can add value to public services. He suggests that despite the enthusiasm for extending market forces over the past decade there has been surprisingly little evidence to demonstrate that these have either improved the standard of services or reduced inefficiency. He argues that the Labour administration should consider developing governance structures that combine aspects of private sector enterprise and bureaucratic regulation. To enhance our understanding of these alternatives, he describes theoretical models of 'organizational architectures'. Jackson notes, however, that further empirical studies are required to assess the extent (and conditions under which) these models deliver higher value services.

In the second article, Jan-Erik Lane concentrates on the question of the relative merits of short and long-term contracts in the public sector. Lane shows that while short-term contracting within market systems may have reduced some production costs, these must be offset against transaction costs involving contract specification, monitoring and arbitration. Lane offers a number of explanations for the general failure of short-term contract regimes in the British context. One issue is the limited development of truly competitive producer markets, while another is the tendency of the state to over-regulate market transactions.

The final paper concerned with the issue of markets and bureaucracy, by Ian Kirkpatrick, Martin Kitchener and Richard Whipp, focuses on the specific area of social care for children and families. They point to the lack of evidence that market mechanisms function efficiently in this sector, and suggest that markets may be incompatible with policy goals concerned with child protection and the need to encourage local services. Kirkpatrick *et al.* conclude by arguing that not only are markets unlikely to work in this context, but so too are alternative, hybrid forms of governance based on inter-organizational networks. The implication is that local authorities may need to rethink their strategies of downsizing in-house services and relying on the independent sector to deliver social care.

The second key issue to be addressed in this symposium is the future role of strategic planning in public services. George Boyne argues that new Labour has placed a renewed emphasis on the role of rational planning in public service organizations. Although there is an assumption that rational planning produces improved performance, little public sector evidence exists to substantiate this. Boyne provides a comprehensive review of empirical studies of planning and performance in the private sector. A majority of the evidence is consistent with a positive relationship between planning and organizational success. However, some companies that are high performers do not use rational planning, and some that plan comprehensively are poor performers. It is concluded that while public organizations should be encouraged to consider the potential benefits of planning, it is inappropriate to 'impose' rational processes upon them.

The final issue dealt with in this symposium is how policy makers and managers make judgements about 'what works'. Janet Newman draws on

PUBLIC SECTOR ADDED VALUE: CAN BUREAUCRACY DELIVER?

PETER M. JACKSON

This paper takes stock of our understanding of the 'architecture' of public sector resource allocation mechanisms. It is a speculative venture and provides a framework for thinking about issues rather than a completed theoretical model. The concept of architecture is borrowed from the design sciences and is used to explore the conditions of performativity within networks of relational contracts. The age-old question of markets versus hierarchy is too simplistic. Instead, the search is for optimal complex network relationships that are based upon co-operation and participation rather than competition and control. Within these networks the public sector, it is argued, has a new role of acting as a broker in the creation of value. Judging the public sector's relative effectiveness in the creation of value also requires closer attention to be given to the context within which public sector managers take decisions. In particular it is necessary to acknowledge that they confront the 'wicked' problems of society that the electorate demand to be solved. This gives renewed interest in the notion of market failure.

INTRODUCTION

Today there is a search for a new understanding of the role and function of democratic government and along with it an answer to the question how best might the institutions of government add value to the services that they provide?

What is the source of the value added by government bureaucracies and are alternative forms of public sector supply superior sources of value added? These are the fundamental questions which lie at the heart of the contest between public sector bureaucratic supply and arm's length decentralized market supply or, simply, hierarchy *vs.* markets. Answers to the fundamental questions focus upon two issues. First is the effective co-ordination of individual activities and the second is the control of opportunistic behaviour. Are decentralized markets, for example, better at solving these co-ordination and control problems? (Hayek 1945; Richardson 1971 and Buchanan and Musgrave 1999).

These questions are a continuation of an agenda found in the works of Adam Smith, who advocated policies that were designed to maximize social welfare subject to the constraints of the administrative agencies of government which implemented the policies. Today much theoretical analysis is being directed at designing suitable incentives for public admin-

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istration in order to relax the constraints on welfare improvements imposed by the administrative intermediaries of government. In other words, this analytical search is focused upon the optimal structure of government institutions. Central to this analysis are models based upon asymmetric information and agency in which contracts are incomplete, as too are constitutions. This reflects the complexity of relationships that exist in the post-fordist and post-modern world of ambiguity and indeterminism (Glennerster 1995; Laffont 1999; Stiglitz 1994).

The purpose of this paper is to take stock of our understanding of the 'architecture' of public sector resource allocation mechanisms, in particular, the relative efficiency and effectiveness of alternative architectures. This is a speculative venture and a framework rather than a precise theoretical model will be sketched out whilst engaging in a search for the frontiers of understanding by identifying unresolved problems. The vehicle that will be used is a consideration of the success or otherwise of some recently implemented public sector management reforms along with the proposed changes announced by the incoming UK Labour government of 1997. Specifically, the question which will be addressed is whether or not public sector bureaucracy can deliver value for money.

The search for improved designs in fiscal systems and the institutions of government is as old as Plato's *Republic*. The modernist search for efficient institutional forms of government is based upon some rather old propositions. The first proposition originates in the Scottish moralists and is represented in Adam Smith's contention that economic decentralization, especially via market exchange, is more efficient than centralized decision making. The second proposition is found in the French Enlightenment claim that human happiness can be engineered by changing the social order.

MARKET FAILURE VS. GOVERNMENT FAILURE

To what extent is it possible to rely upon arguments of market failure or government failure to decide upon the institutional design of resource allocation mechanisms? Whilst there is no complete agreement, nevertheless, a significantly large group of economists are now firmly of the view that the extreme positions that government should be responsible for all economic activity or that government should do nothing cannot be sustained (Wolf 1988). Government bureaucracies simply do not have the information-processing capacity of markets – they are unable to solve the co-ordination problem nor can they successfully mimic the incentives established in markets. Markets, however, are also deficient in important and significant respects. They are not efficient except under very restrictive and special conditions. Moreover, they produce welfare distributions that are not socially just.

There is, therefore, the need to find a balance; a 'third way', which is a mixed economy of the best features of market and bureaucratic designs. Giddens (1998) the architect of the 'third way' explains it as, 'the restructur-

ing of government should follow the ecological principle of "getting more from less", understood not as downsizing but as improved delivered value' (p. 74). Clearly then there will be a continued role for the bureaucratic supply of public services. But what form will that role take and will public sector agencies be more heavily regulated? (Halpern and Mikosz 1998).

The first and second theorems of welfare economics establish the simple propositions that individuals acting in their own self-interest will produce collective outcomes that are Pareto efficient and that such results will be produced by perfectly competitive markets. Real market systems, however, fail for a variety of reasons in the sense that they result in resource allocations which depart from the Pareto ideal. Non-constant returns to scale, externalities and public goods have been analysed as important causes of market failure. It was, however, never made clear how significant these market failures were and whether government intervention through the use of taxes, subsidies, regulations or the direct provision of public services could bring the economy closer to the Pareto efficient ideal and at what cost. The benefits arising from public sector activity were much more of an article of faith than was often supposed.

Modern economic approaches to market failure are now much deeper and emphasize information failures (Arrow 1970 and Stiglitz 1994), especially those arising from moral hazard and adverse selection problems. There is now a better understanding that the information required to run markets efficiently is much greater than was originally thought. In addition, there is the problem of missing markets. Markets will fail to exist because the information required, as in the case of many futures markets, does not exist and/or because the transaction costs of establishing these markets are prohibitively high. Missing markets, by definition, cannot contribute to the solution of the co-ordination problem and it is in circumstances such as these that government intervention can be justified. Thus, in addition to the standard market failure problems of dealing with externalities and public goods, there is a potential role for governments to intervene and provide, for example, social insurance because private financial markets will fail to provide these activities. In both developing and transitional economies, missing markets also give a strong rationale for government activity at the early stages of the development process.

Today's economists recognize that market failure is much more widespread than was traditionally thought to be the case. Because of the extensive scope of market failures the government could potentially intervene in almost every sphere of life. Not all market failures are, however, of equal empirical or social significance. Market failure is a necessary but not sufficient argument for government intervention. Given the failures of central planning and other forms of government activity a judgement has to be made about which market failures call for intervention and what form the intervention will take. Where will government intervention have the biggest impact? No amount of logical analysis will provide answers to these ques-

tions. It is an empirical issue which requires an appraisal of the benefits, costs, and effectiveness of alternative policies. This information is sadly lacking in the majority of cases.

The justification for government intervention goes well beyond the modern analysis of market failure. Questions about the distributive justice of market outcomes give a role to government to redistribute income. Economists tend to evaluate social justice in terms of equality of opportunities rather than equality of outcomes. This, however, presupposes an inclusive society which offers everyone equality of access to opportunities.

Government also has a role in establishing and maintaining the institutional infrastructure which defines the rules of the game for a civil society: in particular a legal system which will define and enforce property rights and contracts, and a regulatory regime, which will encourage competition.

The Public Choice school, as represented especially by Buchanan and Tullock, has been critical of government intervention. They drew attention to the costs of government intervention and the sources of government failure. Part of their argument was that voluntary private actions, such as bargaining, to solve externality problems (Coase 1960), were superior to government interventions. These results depended, however, upon highly restrictive assumptions, such as a complete specification of property rights; perfect information, low transactions costs and a small number of individuals (Farrell 1987). Moreover, government has powers that voluntary arrangements can never secure, in particular the power to enforce contracts.

Public choice writers (Downs, Niskanen, etc.) drew attention to the theoretical possibilities of 'government failure' originating in the opportunistic rent seeking behaviour of politicians and bureaucrats, who would make decisions which result in an over expansion of public services and hence public expenditures (for non-public choice theorists who come to similar conclusions see Illich (1975) and McKnight (1995). Vote maximizing politicians, it was hypothesized, would also prefer deficit spending to taxation and would adjust macro-economic variables over the political business cycle (Buchanan and Wagner 1977; Brennan and Buchanan 1977; and Brennan and Buchanan 1980).

The alleged consequences of political failure were many. Expanded public sector budgets, it was claimed, choked off resources required for economic growth. Large public sector deficits, it was alleged, raised interest rates. Increased tax bills to pay for the enlarged public expenditure were thought to create disincentive effects which would inhibit the supply of work effort, savings, investment and risk taking. The political business cycle caused economic instability, raising inflation and unemployment.

Despite these criticisms made by the Public Choice school it is wholly inappropriate to assume that government is all knowing and benevolent as did the naive market failure arguments favouring government intervention. Whilst government can use its coercive taxation powers to redistribute income, it is not necessarily the case that the engineered outcome for the

distribution of income will be closer to that which is regarded as socially just.

In addition to these critiques there were others. The public sector was seen to have been captured by large professional monopoly groups who dictated to users the level and quality of service that would be provided. Operational managers were not empowered to be effective and service standards were measured by reference to inputs and throughputs. Strategy or policy making was often separated from considerations of operations and implementation. Taken together, it was claimed, these resulted in large amounts of X-inefficiency (Jackson 1982).

What can be concluded from this discussion? Empirical evidence about the absolute benefits and costs associated with public services and the distribution of net benefits is extremely thin. It therefore follows that comparisons of the relative efficiency and effectiveness of private *vs.* public sector supply are very weak. There is, never-the-less, an overwhelming case in support of government intervention in the modern capitalist systems of developed, developing and transitional economies. This is based upon informational failures, the pursuit of distributive justice and the need to solve the co-ordination problem. Substituting market solutions for public sector bureaucratic supply is no guarantee of enhancing the efficiency of an economy. Whatever tasks are assigned to the public sector they must be conducted efficiently and effectively. How this might be achieved remains the subject of enquiry.

PUBLIC SECTOR REFORMS

By the mid-1970s the general public's attitudes towards the public sector had reached a low. There was a loss of confidence in the public sector's abilities to deliver public services of the quality that was expected, to manage the economy, to solve social problems, or to be prudent with the public finances.

The Thatcher reforms, which began in 1979, had their intellectual foundations in the American Public Choice theorists' notions of public sector failure plus the ideas of Milton Friedman in America and the Institute for Economic Affairs in London. These reforms were based upon theories that had never been adequately subjected to empirical testing. They had nothing other than the status of working hypotheses. The deep seated ideology was that the discipline of market forces would drive out X-inefficiency; restore public expenditure to its optimal level and return choice back to the consumer.

The catalogue of reforms is now quite extensive and includes: devolved budgeting; the Financial Management Initiative; value-for-money auditing; privatization; contracting out; quasi (internal)-markets; performance monitoring; the importation of best practice from the private sector and the fostering of managerialism within public services. There was much more (see Flynn 1997; Jackson and Price 1994; Lawton and Rose 1994 and Walsh 1995).

The National Performance Review in the USA, which resulted in the Gore Report (1993), introduced incentives for improved public sector management.

Many of these reforms can be summarized with the assistance of figure 1. Along the horizontal of the matrix the degree of competition is shown. The vertical shows the allocation of control rights – i.e. an indication of who has the right to make controlling decisions.

Traditional central and local bureaucracy is located in the bottom right square. Control rights reside within the political process and there is no competition. The Next Steps Agencies do not face competition but their management does have control rights. Quasi-markets confront competitive forces and their managers have control rights whilst for contracting out the control rights remain within the public sector but competition is active.

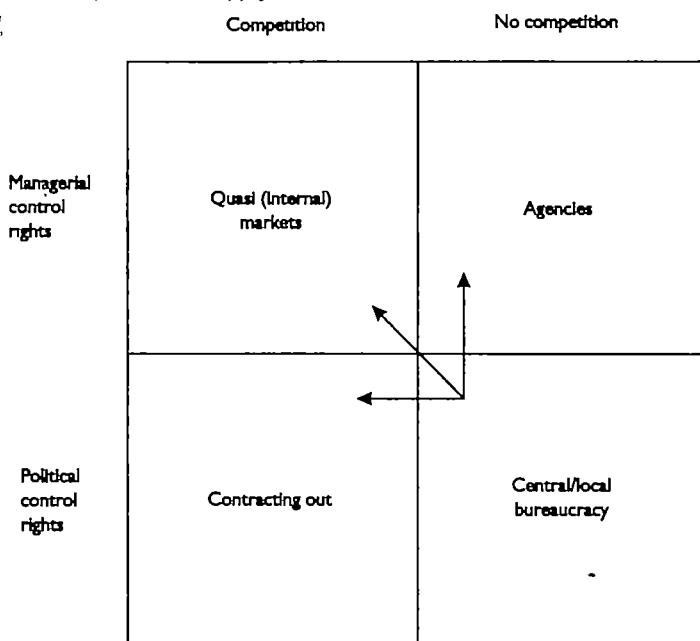
In all of these settings ownership remains with the public sector and control rights have been delegated.

Contracting out is found in the NHS, local authorities, etc. and will either involve the outsourcing of the complete provision of a service or the letting of a contract to manage a service.

Quasi or internal markets have been established in the NHS, education, social services and social rented housing.

Central to quasi markets and contracting out is the separation of purchas-

FIGURE 1 *Competition in supply*



Source: Halonen and Propper (1997)

ing from supply – i.e. the ‘purchaser/provider’ split. The purchaser ‘buys’ on behalf of a group of users within a geographical area, and is located within, for example, a local authority. The supplier competes for a contract and the supplier can come from within the authority or from outside. Whilst there is competition amongst suppliers there is no competition amongst purchasers. Some purchasers might be more efficient and effective than others.

Privatization lies outside of this framework since it involves a change in ownership. The framework is also embedded within various regulatory regimes which control providers’ performance against target.

The general trend during the 1980s up to the mid-1990s was to decant more and more activities from bureaucracy into the other categories. This is shown from the direction of the arrows in figure 1.

In 1997 the incoming Labour government halted and in many areas of public service supply reversed the trend, which had been set by the previous Conservative governments, of moving from hierarchy to markets. New Labour’s policies shifted the emphasis from markets back to hierarchy. This was not, however, a return to unfettered hierarchy. Rather, the 1997 reforms, whilst making a relatively greater use of bureaucratic supply, recognized the need for a greater degree of regulation of bureaucracy.

The local government ‘Best Value’ initiative replaced compulsory competitive tendering, no longer making competitive tendering compulsory. Instead, local authorities were to be expected to engage in market testing and be required to demonstrate that their performance (as reflected in a variety of standards) is as good as that of external suppliers. This will necessarily involve auditing as demonstration and proof of ‘best value’ and service reviews to ensure continuous improvement.

In other areas of public service supply there has also been change. The annual contracts between NHS purchasers and providers have been replaced by three-year contracts. General public spending targets are now set three-years in advance. Grant maintained schools have been renamed ‘foundation’ schools and the proposed nursery school voucher scheme has been abolished.

LESSONS FROM THE REFORMS

What have we learned from these reforms? Has the performance of the public sector improved?

First, has increased competition eliminated x-efficiency and improved consumer choice? Despite general opinion to the contrary there is no strong theoretical analysis to support the case that competition is good. Adam Smith (1776) made a vague claim about the virtues of competition, ‘monopoly... is a great enemy to good management’ (p. 165). Recently a leading industrial economist Richard Caves (1980) having reviewed the evidence concluded that economists, ‘... have a vague suspicion that competition is the enemy of sloth’. Even more recently Nickell (1996) argued that

the, '... general belief in the efficacy of competition exists despite the fact that it is not supported either by any strong theoretical foundation or by a large corpus of hard empirical evidence in its favour' (p. 725).

Our knowledge of the competitive process and how it causes a search for cost containment and reduction is meagre. In concluding his empirical study Nickell writes, "... I find that there are some theoretical reasons for thinking that competition might improve performance, but they are not overwhelming. I also see that there exists some empirical evidence in favour of this view, but again it is not overwhelming". (p. 746).

Analysis originating within the industrial economics and strategy literature is also informative. Empirical studies have sought to find out how much industrial structure matters when it comes to explaining differences in the relative performance (profitability) of different market-based companies. In this case industrial structure (monopoly; perfect competition or oligopoly) is a surrogate for the intensity of competition. Rumelt's (1991) study produced some very interesting results, which are of significance for the discussion in this paper. He found that industry (i.e. competition) did not matter. Industry effects only accounted for 8.3 per cent of the explanation for the variation in the performance of private sector companies. Ownership effects were even smaller, 0.8 per cent.

Given this background it would be surprising to find significant productivity improvements as a result of moving activities out of the bureaucracy into the other quadrants of figure 1 or indeed, through privatization (ownership effects), to another domain completely. My own review of the empirical work, which has searched for efficiency (cost savings) improvements following the introduction of contracting out or quasi-markets, concludes that there is very little support for the proposition that privatization or contracting out has increased efficiency and effectiveness. In some of these cases where support has been found in favour of the proposition there is a question mark over the methodology used (Jackson 1994 and 1997a and 1997b). Operational efficiency gains, if found, have usually been one off and small in magnitude. They do not appear to be sustained over the long run. Others who share this view include Walsh (1995), Davey (1996), Gold (1995) and Boyne (1998). In Davey's study of urban management in developed and developing countries, whilst there was some weak support in some cases for the claim that private sector involvement results in performance improvements, nevertheless, the overall results of the study did not give unambiguous or overwhelming support. Gold (1995) found in the USA that attempts to privatize brought some small *promises* of reduced costs as did attempts to restructure and re-invent. But there was no quick fix that would produce big pay-offs.

Finally, in a very carefully conducted study (Domberger, Hall, and Li 1995) the impact of competitive tendering on price and quality was examined. The conclusions of this study were that competition had a significant

(*but small*) impact upon price and quality. Quality was maintained following the introduction of competition and in some instances improved.

It is not only the existence of competition which is potentially important it is also the *force* of the competition. How powerful are these forces? Evidence suggests that they have not been very powerful. On many occasions very few alternative suppliers have bid for public sector contracts – in some cases none. In other cases the public sector has faced very powerful suppliers who have eliminated the internal provider in the short run just to re-contract at higher prices in the longer run.

Perhaps it is not necessary to have actual competition. The theory of contestable markets (see Baumol, Panzar and Willig 1982) suggests that a credible threat of competition will be sufficient to keep internal suppliers of public services searching for improvements in the cost and quality of services. The unanswered questions are how credible is the threat and how powerful is this competitive force?

What then is the purpose of competition? It protects against monopoly. But how effective is this protection in practice? Not very – that is why it is necessary to have regulatory regimes. Competition and regulation are substitutes, but not perfect substitutes. Regulation can of course be distortionary in so far as it introduces adverse incentives but monopoly is distortionary also. As in all policy matters the world of the first best is elusive. It is only the second best that is available to us and as such there is the danger that implementing second best solutions will move the system further away from the first best.

Quasi-markets also suffer from traditional market failures: incomplete information; incomplete contracts (uncertainty); externalities; transactions costs and non-constant returns to scale. Which then is worse? The market failures or the political failures? Unfortunately we have little (any?) useful empirical evidence to make such a comparison. This is confirmed by the most recent set of papers reviewing the quasi-market reforms – see Bartlett, Roberts, and Le Grand (1998) – ‘It is too early in the experiment for a comprehensive appraisal of the social costs and benefits of quasi-markets to be undertaken. Given the state of flux that exists evaluation will also be difficult’ (p. 287).

Given that many activities, which were organized through the public sector, were located there because of the failure of markets to allocate them effectively and given our understanding of what markets cannot do, then it is a bit strange to believe that the problems of bureaucracy could be solved by taking these services out of the traditional bureaucracy and confronting them with greater amounts of competition and managerial control. This was an article of faith which has been found to be wanting.

Empirical studies of the impact of privatization upon economic performance do not give much support to the proposition that privatized companies perform significantly better than nationalized utilities. Millward (1982), Millward and Parker (1983), Bishop and Kay (1989), Estrin and Perotin

(1987), Hartley and Parker (1991), and Hutchinson (1991), in their empirical studies, could find no significant improvements in efficiency following privatization. Changes in ownership are not the key to efficiency improvements. Bishop and Kay's (1989) study of the prices, profits, outputs and productivity of the newly privatized firms between 1979 and 1988 revealed that improvements in performance were not related to privatization, 'the privatised industries have tended to be faster growing and more profitable, but it seems that the causation runs from rapid growth and profitability, rather than the other way round' (pp. 40/41). Burns and Weyman-Jones's (1994) examination of electricity distribution companies could not establish a significant relationship between privatization and productivity change. Similar results are reported by Haskel and Szymanski (1991, 1992, 1993a and 1993b). Finally, Martin and Parker (1995) examined 11 organizations which had been privatized during the 1980s. Productivity growth fell after privatization in the case of British Airways, British Gas, Rolls-Royce and the British Airports Authority (see also Parker and Martin 1996; and Martin and Parker 1997).

The performance of the public sector is not only judged in terms of efficiency – in particular the narrow concept of cost. Many public services were also judged in terms of their contribution to achievement of equity – who receives the services and in what quantity and with what effect upon the distribution of incomes (welfare)? Whilst markets produce a distribution of income as an outcome they are not designed to bring about desirable distributions unaided. Leaving it to the market can, therefore, result in government losing control over the means of achieving one of its primary objectives (distributive justice) and thereby needing to re-invent itself to achieve this.

There are other considerations that need to be taken into account when judging the recent reforms. Most commentators refer to the increasing centralization of power. The adage that it is necessary to 'centralize in order to decentralize' has only been partly true. Central government undoubtedly centralized power mainly at the expense of local government. But whilst it devolved decision making to agencies, intermediate organizations, hospital trusts, etc., it retained powers to control and regulate those activities that had been devolved.

THE ARCHITECTURE OF THE PUBLIC SECTOR

The 1980s and 90s has seen the hybridization of the public sector in terms of the emergent mosaic of organizational forms contained within figure 1. One useful way of analysing this phenomenon is to use the concept of 'organizational architecture', which was introduced by Sah and Stiglitz (1986). Borrowing from information sciences and the team approach to the study of organization systems (Marschak 1955), they regarded architecture to mean the internal structure of an organisation, i.e. '... how the constituent decision-making units are arranged together in a system, how the

decision-making authority and ability is distributed within a system, who gathers what information and who communicates what to whom' (Sah and Stiglitz 1986, p. 716). Their thesis is that the relative performance of different economic organizations (this might be a single firm or an entire economic system) depends upon their architectures. It is architecture which influences the quality of decision making and hence performance.

Architecture is a primitive concept. Few have adopted the Sah and Stiglitz approach despite its richness (Jackson 1998). Effective decision making depends upon ensuring that relevant information is available to the right person, at the right time and in the right format. There must, however, be appropriate incentives to ensure that decision makers will use information to create value. The architecture of markets relies upon the incentive of self-interest for the effective use of information but when that fails, market outcomes are not efficient. Information might not exist or it might be too costly to acquire. This is the decision environment, which those who deal with 'wicked problems' have to confront. In these cases a collective, co-operative non-market solution which requires a different architecture may produce a more efficient outcome. This is the basis of current research which is exploring the use of networks as an alternative governance structure lying somewhere between markets and hierarchies (Jackson 1999; Kickert *et al.* 1997; Rhodes 1996).

Architecture is a structure of relationships. Alternative shapes and forms of organizations arise from the holism of these relational configurations. To understand the effectiveness of alternative architectures, one needs to concentrate on the precise nature of the relational contracts and the way in which they relate to one another within a network. Organizational architecture shapes organizational space and defines organizational context and can, therefore, empower or constrain. It is much more than simply organization structure and transcends the transactions cost view of organizations as a 'nexus of contracts', which can result in a confusion of where the boundaries of the organization are located. Architecture is holistic – it takes into consideration the unique coherent pattern of its elements. Moreover, architecture is embedded in a wider social context which will also give it shape (Granovetter 1985). Others who have referred to 'architecture' include Dunleavy (1989) and Hennessy (1998).

Topics like architecture and computer science use a design science perspective (Simon 1969; Churchman 1971) in the sense that, 'the hypotheses of design science are not generalisations about current behaviour but are assertions that new levels of performance can be attained and diffused under the right conditions' (Miller 1987). The search for improvements in the performance, i.e. the amount of value added by public service bureaucracies, is a search for the right conditions. These conditions are most likely to be found within the network of relational contracts.

Following Kay (1995) architecture is defined as, 'a distinctive collection of relational contracts. The benefits of architecture typically rest in the

development of organisational knowledge, flexibility in response, and information exchange within or between organisations' (p. 371).

An architecture incorporates:

- relationships with employees;
- relationships with suppliers;
- relationships with customers;
- relationships with other organizations (networks).

Architecture tends to emerge in the sense that there is a constant search for that particular constellation of relationships that results in 'excellence'. The precise set of relationships that produce high performance is 'discovered' through the testing out of hypotheses in the process of managing. In the case of private sector organizations the search is for a unique non-imitable architecture that will give a sustainable competitive advantage.

This approach invites us to think in similar terms when considering the performance of public sector organizations. The search is for an efficient and effective architecture, i.e. that which adds maximum value. It is not a one-off strategic design problem. Rather it is an act of discovery, which will involve experimentation.

Architecture takes us well beyond the simple dichotomy of the alternative governance structures embodied in the markets vs. hierarchy literature. Lying between markets and hierarchies there are alternative combinations of contractual relationships and authority relationships. These have a variety of names – networks; relational contracts and relational linkages and incorporate vertical hybrids such as franchising and subcontracting and horizontal hybrids such as joint ventures and strategic alliances. These architectures define the external boundaries of the organization. There is also the internal architecture to be considered.

In terms of the governance structures of competition and hierarchy these are alternative means of achieving the *co-ordination* of activities. When the market works effectively (i.e. minimal market failure), then activities are located there but, as Coase (1937) and Williamson (1975) have demonstrated, when markets fail because of uncertainty, externalities, transactions costs, etc. then hierarchy replaces impersonal exchange.

There is, however, a third form of governance which is under explored, i.e. *co-operation*. In this case the bureaucracy will act as a 'broker' in a network of contractual relations, bringing together public and private sector organizations, public service organizations and voluntary agencies, etc. This general architecture is not far removed from the implicit objectives of the current public sector reforms. Government acting as broker is a role that is assuming increasing significance but very little is known about it.

Co-operation is not a soft alternative to competition. It can be shown (Shapiro 1989) that co-operation works because of competition. Those who co-operate implicitly agree that if one party deviates then punishment will take the form of cut-throat competition. Not all co-operative arrangements

derive from the credible threat of competition, nor should co-operation be confused with collusion. Co-operation aims to increase added value to consumers by searching for synergies on the production side. Collusion need not add value but tends rather to result in the expropriation of value from consumers by producers. Following Richardson (1972), co-operation is a highly efficient form of economic organization. Co-operation, for example, enables the transfer of knowledge and the co-ordination of investment plans across firms. Architecture details the way in which activities are co-ordinated. This is characterized by a description of the knowledge available: to whom the knowledge is available, the communication networks between individuals and the time pattern (for example, sequence) of decisions.

The challenge facing us is to find that architecture which will deliver operational efficiency, effectiveness and also dynamic efficiency. This means comparing the relative benefits of different architectures. Table 1 lists some of the expectations that are held about what the architecture of the public sector has to do.

The specification in table 1 addresses the critique of the present architecture. It emphasizes dimensions of performance that were ignored by earlier reformers. First, dynamic efficiency, is a Schumpeterian idea that transcends the static ideas of economy and efficiency. In order to achieve dynamic efficiency, the architecture must provide a capacity to enhance information flows, to respond to external change and to be innovative over time, i.e. it must fill Jervis and Richard's (1996) 'deficits' (viz.). Second, dynamic efficiency requires co-operation between the different elements within the system. It demands a holistic approach which transcends turf wars. The sharing of problems and the sharing of information increases the probability of finding agreeable solutions to 'wicked problems'. The challenge is the search for and discovery of new solutions to problems. This can be thought of as social technical progress.

To judge the relative performance of alternative architectures it is necessary to be more precise than we have been in the past about efficiency.

TABLE 1 *Some problems that any architecture has to solve*

-
- deliver operational efficiency
 - deliver effectiveness
 - deliver dynamic efficiency
 - identify problems
 - deal with "wicked" problems
 - enable organizational learning and build knowledge
 - obtain information on user preferences
 - reconcile the conflicts between preferences
 - enable co-operation and co-ordination
 - establish appropriate incentives
 - deal with: (i) incomplete contracts problems
 (ii) moral hazard problems
 (iii) adverse selection problems
 - re-establish confidence and trust
-

Already the notion of dynamic efficiency has been introduced but there needs to be an appreciation that efficiency is much more than just operational or x-efficiency, i.e. waste elimination and cost containment. Allocative efficiency requires that the system produces those services that individual users value and in the quantity and the quality that they prefer. This means ensuring that the architecture gives service users 'voice' and enables this information to play a decisive role. Architecture must incorporate decentralized local government because local government is efficient government.

Participation encompasses many activities – voice (expressing opinion), voting, providing advice and providing feedback. Participation gives decision makers a better understanding of local values, knowledge and experience. It aids conflict resolution and wins support for the decisions taken which in turn fosters community assistance in local implementation as well as legitimization (World Bank 1992).

Participation, therefore: enhances allocative efficiency; increases the chances of effectiveness, by using local knowledge in the implementation process; improves equity because the ability and willingness to pay are better assessed at the local level; and enhances accountability because local people have a strong demand for transparency.

Participation acts like a control mechanism. It promotes external accountability rather than the more traditional internal, vertical, bureaucratic accountability. However, enabling mechanisms to foster participation must be created. Participation is not spontaneous or automatic. Decentralization and participation need to be designed into the architecture. They imply a sharing of power and this is a challenge which has not been met in the past.

Participatory mechanisms include local neighbourhood associations, consultations with the public, referenda, annual service reviews, etc. Whilst participation and local democracy have benefits they also have costs. Participatory mechanisms are costly to operate and can result in delays in decision making and lost opportunities. The search for optimal degrees of decentralization, and hence optimal local government, involves discovery of the margins where these costs and benefits are in balance.

THE CREATION OF VALUE

Whilst the new public sector management has searched for improvements in the delivery of value for money very little effort has gone into evaluating the reforms in terms of whether or not value has indeed been created. This is not a trivial exercise, not least because value measures are difficult to obtain and it would be necessary to know how much value had been created under the old regime as opposed to the new.

Moreover, do we know what creates value? Up to a point yes. We certainly know how to reduce costs, but costs are not value. They are only one side of the equation. The objective is to enhance delivered value to

the users of public services but little is known about how much value is actually delivered.

Success, or superior performance, is ideally measured in terms of value added. The fundamental purpose of management is to add value. When we ask, 'why are some public sector organizations more successful than others?' we are attempting to find why some add more value than others. In terms of the reasoning adopted so far, value is created by managing production and costs, and choosing an appropriate architecture.

Managing to create value by reducing costs is, however, only one means of adding value. How do we improve benefits? Like any organization, this is done by adding value to the existing services through product and service developments and by ensuring that the services which are supplied are what consumers demand. This does not mean giving consumers more of the same but rather adding quality to what they already receive. It implies creating a responsive organization that listens to its clients and service users and responds with innovative policies thereby securing improvements in Schumpeterian dynamic efficiency.

How then is sustainable added value to be created? This is considered in the next section.

A FRAMEWORK TO PROCEED

Whilst the reforms of the 1980s/90s referred to as the new Public Sector Management provided some small one-off benefits, they were by no means necessarily complete, nor were the operational efficiency gains necessarily sustainable. The new Labour government reforms offer an opportunity to revisit these problems. Already, policy initiatives such as 'Best Value' have been advocated. Local authorities will choose whether or not to contract out services against the background threat that if they fail to deliver best value then they may be forced to contract out services or the existing management may be replaced by a 'master class' hit squad. These threats in some respects replicate those of the private sector market for corporate control, which are effected through capital markets.

How then are we to proceed? The internal management of public services is also part of the problem. How well are managers able to manage the changes introduced by the various reforms? This is not meant as an ill-informed attack on public sector managers, who have been the butt of unfair criticism. Rather it is a recognition that change has to be managed, that organization cultures have to be changed, and that new skills and competencies have to be learned and acquired if public services are to deliver the benefits that their users expect (Colville, Dalton and Tomkins 1993).

Introducing new management systems and techniques such as benchmarking, TQM, devolved budgeting, performance measurement and contracting out are necessary but not sufficient for improvements in performance. The devil is in the detail of the implementation of these techniques and in the abilities and competencies of managers to manage the changes

that they bring. Managerial effectiveness, it is hypothesized, is an area that needs to be given much greater attention if the factors that determine the absolute and relative effectiveness of public service organizations are to be better understood. How effective are public sector managers at drawing up and monitoring contracts, implementing TQM, learning from the information generated by benchmarking and performance indicators, and regulating contractors? Too much emphasis has been given to techniques and managerialism and not enough to the processes of effective management. This more encompassing approach to the management of performance has been proposed by writers such as Jackson (1982, 1986).

Managerial effectiveness is not independent of context. Insufficient attention has been given to the decision environment within which public service management is conducted. An extremely useful vehicle for discussing this decision environment is Jervis and Richard's 'three deficits' of public management. In a significant set of papers Jervis and Richards (1996 and 1997) reveal some of the fault lines that have emerged from previous public service. They describe these in the context of three deficits.

(1) *The democratic deficit* – the emergence of intermediate forms of organization which deliver public services (networks etc.); the development of opted out schools; the establishment of NHS trusts, etc. Whilst these new forms of organization are accountable to central government (and that accountability is often weak) they are not directly locally accountable to those whom they serve. John Stewart (1992) amongst others has drawn attention to the weakening of participation and democratic accountability which are valued in their own right.

(2) *The design deficit* – whilst existing public service organizations are equipped to deal with standard problems which are well defined, unambiguous and amenable to the application of traditional management techniques, they are inadequately designed to identify and define 'wicked problems', i.e. those problems that are complex, ambiguous and intractable. Also, they are not well equipped to solve them.

(3) *The development deficit* – there is a failure of public sector organizations to develop new strategies to tackle 'wicked problems'.

These deficits along with the notion of 'wicked problems' are another way of expressing the extreme forms of market failure set out earlier. The public sector is charged with solving problems that markets are simply unable to deal with. It is, therefore, illogical to suppose that market solutions are simply waiting to be found. Asking the public sector to find solutions is setting it a daunting challenge. Indeed, overcoming public sector failure and searching for improvements in public sector efficiency are themselves wicked problems.

Can we improve on the present architecture? To answer these questions some of the things that we need to pay attention to include:

- defining a brokering role for government;

- giving a greater emphasis to strategic thinking in the public sector;
- paying greater attention to managing relational contracts and incentives;
- performance monitoring.

BROKERING FOR BEST VALUE

The brokering role of government has already been touched upon and is defined as the search for that architecture which will maximize added value. In order that they can judge the efficiency and effectiveness of relationships public sector managers require a clear understanding of 'value' and 'value for money' and hence 'best value'. After all, if the Audit Commission and the Accounts Commission are to pass judgement on whether or not local authorities are delivering best value then they need a precise definition. Value is neither price nor is it cost. It is a subjective concept, being the total amount that someone would be prepared to pay for public output. This value is derived from its use and has been called, since the time of Adam Smith, 'use value'. Value for money is, however, a more complex concept. It incorporates perceived use value and also the perceived price. The latter will include the implicit 'tax' price plus the costs incurred by the consumer in using the service. In the case of public services this will include access costs and the costs of waiting. Best value, like value for money, is difficult to operationalize because:

- value is subjective;
- value is perceived by individuals and will vary according to individuals' tastes;
- some individuals will not use public services (do they have a perceived use value?);
- different individuals will experience different access costs;
- implicit tax prices will vary from person to person;
- perceptions of value for money will be influenced by ability to pay.

This reduces to the age old question, given the heterogeneity of users' preferences and ability to pay, whose value is to count when making best value judgements?

The performance of any team is greater than the sum of its parts. This is usually referred to as synergy. When it comes to managing the set of relationships that make up an organization's architecture, the successful organization is that which creates more synergy than others, i.e. it adds more value. In its brokerage role government is thought of as searching for and establishing such synergies. Public sector managers have very little information about benefits and costs nor do they have any idea about the value created through synergies. In this case comparatively superior architectures are more likely to emerge and be discovered rather than rationally planned a priori.

If the value of an organization is simply the value of its inputs then value

and cost are the same. The management of a successful organization adds value to its resources.

The brokerage role of government is to put together an architecture which adds maximum value, i.e. it provides the best value or, put more weakly, better value. Value will be added by managing relationships with suppliers, users, employees, etc.

CONTRACT MANAGEMENT AND INCENTIVES

The architecture of any organization is a set of relations established not only through explicit but also implicit contracts. These contracts have to be managed and this involves understanding the nature of the incentive mechanisms that are built into the contracts. Much has to be learned from the principal/agent and incomplete contracts literatures which were touched upon by Jackson (1982) but which have developed considerably since then.

The problems which face the public sector are:

- outputs are hard to quantify and measure;
- agencies have multiple goals (how are they to be weighted?);
- heterogeneity of tastes;
- accountability to a variety of constituencies which have differing objectives;
- public employees are often motivated by social concerns.

It is generally established in the literature (Dixit 1997; Tirole 1989) that where there are multiple tasks which are observable with different degrees of accuracy then the strong incentives placed on the measurable will draw effort away from those activities that are less measurable. The result is that the overall *average* performance will fall. The same problem arises if there is a common agency with multiple principals. Weak incentives can result in gridlock and indecision. If these pathologies are to be avoided then attention needs to be given to the design of incentives.

Another problem facing the public sector is time inconsistency. This arises in a number of forms. First, there is the issue of the lengths of the contracts that are let. If they are short term and the climate is adversarial then suppliers will either tend not to bid for such contracts or if they do accept a contract they will probably under invest because there is always the threat that the contract will not be renewed in the future. Second, there are problems that arise in regulatory regimes. If there is a fear that the regulator will renege and change the regulatory regime in the future, then this too will result in under investment. Cost-cutting investments would produce gains which the regulator attempts to obtain by changing the regime.

These time inconsistency issues can be alleviated by governments establishing reputations that they will not renege and by promoting long-term

co-operative contractual relationships. Central to most co-operative relationships is 'trust', which greatly reduces transactions costs.

PERFORMANCE MONITORING

Much has been written on the use of performance indicators as part of the general approach to performance management (Jackson 1995). Incentive problems also enter performance monitoring.

To what extent do the existing performance indicators adequately reflect value added and value for money? The results of many studies suggest that current performance indicators are highly imperfect. Measurable elements of performance tend to drive out immeasurable activities with the result that average performance declines. In other words the measurement system contains adverse incentives. But there are other problems.

Consider the conflict between policy objectives. A job training scheme has the objectives that it be directed at those who can benefit from it and those who are in most need. These are two distinct objectives which exist side by side because of a compromise that was struck between competing constituencies. The performance standards against which the success of the job training scheme will be judged are:

- the number of trainees in employment three months after the trainee leaves the programme;
- the wage rate and earnings of the trainee after three months.

An incentive scheme exists. Those job training offices that perform well will receive a bonus. These bonuses will be paid into departmental funds but cannot be used to top up salaries. This will clearly dampen individuals' personal incentives to improve results.

In an ideal world the performance of a job training office would be judged in terms of social value added net of costs. This would require working out the counterfactual – what would have happened to the individual without the job training. Would he/she have obtained a job and what would the individual's earnings have been. The counterfactual, however, is unobservable. Moreover, ideally we would want to know what happens to individuals in the long term, not just after three months.

What would probably happen in practice is that, given the explicit performance standards, employment and earnings after three months would be used as performance indicators rather than long-run value added.

These performance measures do, however, have adverse incentives built in. First, there is the problem of cream skimming or adverse selection. When selecting to join a training programme there is an incentive to choose those who have a high probability of obtaining a well-paid job at the completion of the training, not necessarily those in greatest need. Not only is added value reduced but the equity objective of the programme is also violated. There is also evidence of adverse selection in opted out schools and the NHS. Schools wishing to improve their position in the league tables will

only wish to accept the brightest of students. Likewise, GP fund holders will not wish to have too many sick patients on their books.

Second, the problem of moral hazard arises when managers engage in strategic gaming behaviour or play incentive schemes in an attempt to maximize their personal rewards. This arises because of information asymmetry in favour of the managers and also because, in the case of multiple objectives, they can play off one objective against another. Effort is adjusted to ensure that measured performance is maximized and as has already been pointed out this usually means that average performance falls.

Few public service objectives are sufficiently verifiable to be useful for performance incentives contracts. When goals are vague and when job descriptions cannot be easily written down then the behaviour of public sector employees is usually defined by ideology, attitudes and the standards set by external agencies such as professional groups.

Other factors cloud the issue. Suppose the service environment in one local authority is worse than that in another. The crime rate might be much higher. It requires more resources simply to stand still. On crude league table comparisons this point will be lost and even value-added calculations will not pick this up.

ARCHITECTURE

The search for effective architectures encompasses the language and conceptual frameworks of the economist. There are, however, complementary literatures which will fill in the richness of detail. In particular, Rhodes's (1997) meso large canvas agenda, which revolves around the themes of networks, governance, reflexivity and accountability, complements the architectural framework. In this work Rhodes, in assessing the appropriateness of the Westminster model, is critically reflecting upon the suitability of its architecture and comparing it with what he regards to be a more appropriate conception, namely centralization co-existing with fragmentation and interdependence.

Organization architecture provides a useful framework for identifying those areas which are the focus of further study. It is asserted that architecture complemented by Rhodes's themes will provide a rich research agenda for those who are concerned to improve the efficiency and effectiveness of the institutions of government. Intergovernmental relations, power dependence, policy networks, and systems of governance are embedded within and contribute to the shaping of organization architecture. Organization architecture is a metaphor rather than a model. It does not by itself provide explanation nor does it suggest specific hypotheses.

Changing public sector architectures, once a specific design has been chosen, is problematic. Reinventing government is no mean task. The recommendations of many previous attempts to search for improvements in government performance are now covered in decades of dust. Implementation is fraught with difficulties not least because reform normally meets

the force of bureaucratic inertia. As one American commentator has remarked, '...reinvention can polish the surface without touching the soul', Kaufman (1994, p. 20). In order to translate the rhetoric of reform into reality it is necessary to pay close attention to the changes that must be made to the organization's culture and the underlying incentive structure.

Reforming public sector architectures also surfaces a number of dilemmas. For example, it is generally regarded that those organizations which display relatively superior performance are those which are populated by empowered employees. How much discretion, however, is it feasible to grant public sector workers without compromising the demands of public accountability. For example, whilst it is acceptable to empower a public servant to improve the effectiveness of the process by which a social security cheque is paid it would not be regarded as acceptable if that person was empowered to determine how much should be paid. Not only must empowerment be constrained by the prevailing demands of accountability it must also be recognized that the checks and balances of accountability exist because individuals inherently do not trust government.

CONCLUSIONS

Where should the boundaries of the state be drawn? How should bureaucracy be shaped? These are age-old questions but they remain on today's policy agenda. They are difficult questions to answer analytically and are equally difficult to answer empirically.

Such general questions, however, are not confined to the public sector. The horizontal and vertical boundaries of private sector organizations have been changing radically in recent years as firms have reconfigured their value chains. There has been a move towards a variety of forms of partnering through the formation of networks, strategic alliances, joint ventures and franchising. These new organizational forms are designed to achieve competitive advantage through collaboration and co-operation. Similar changing forms are also to be found in the public sector.

One of the current questions that modern policy analysis seeks to answer is how best might governments add value to the services that they provide? Can bureaucracy deliver value for money? The evidence reviewed in this paper suggests that there is no *a priori* reason to believe that it cannot. The pay-off to the market reforms, measured by efficiency gains, has been both ambiguous and weak. In terms of the market *vs* hierarchy (bureaucracy) debate, the issues are more complex than the simplistic treatments of the problem suppose.

To analyse these problems considerable potential is promised by the economics literature on asymmetric information, moral hazard, adverse selection and architecture. This approach focuses upon the structure of relationships within and between organizations, but in a new and refreshing way. Adopting this perspective should enable an analytical appraisal of the rag bag of managerialist reforms that have been proposed for, and in some

instances implemented, in the public sector: total quality management; contracting out; performance monitoring and reinventing government (Osborne and Gaebler 1992). Few, if any, of these ideas had been adequately tested empirically or validated analytically prior to their introduction.

Can public sector bureaucracies deliver added value and provide value for money? The answer is potentially yes, but for public sector managers to be confident in doing so will require much more information and understanding than currently exists about the distribution of information and the design of incentives within the public sector's architecture of relationships. This in turn requires knowledge about the empirical magnitudes of the incentive and disincentive effects embedded within these relationships – knowledge which currently does not exist.

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FROM LONG-TERM TO SHORT-TERM CONTRACTING

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One can look at the arrival of New Public Management and the extensive public sector reforms inspired by this theory from many angles. Here we examine the shift from long-term contracting, typical of bureaucracy and traditional enterprises, to short-term contracting, borrowed from private sector governance methods. Short-term contracting has three principal uses in the governance of the public sector: (a) contracting with service providers after a tendering/bidding process; (b) contracting with the CEOs of the incorporated public enterprises; and (c) contracting with executive agencies about what they should deliver. Theoretical analysis, supported by substantial empirical evidence, suggests that short-term contracting eliminates the extensive post-contractual opportunism connected with long-term contracting, but is vulnerable to pre-contractual opportunism. Short-term contracting is not just another public sector reform fad, but constitutes a new tool for government which increases efficiency when handled with prudence.

INTRODUCTION

The ongoing reforms of the public sectors in the OECD countries present a true challenge for theoretical interpretation. New public management presents a paradigm shift in the conduct of public sector activities. What is involved in the public sector reform in the United Kingdom, in Scandinavia and in Continental European countries as well as in Australia, New Zealand and Canada is a general reconsideration of how government may use and mix markets and bureaucracies in order to achieve its objectives with regard to the provision of goods and services with a special emphasis upon the employment of tendering and contracting out (Halligan and Power 1992; Boston 1995; Coulson 1997; Choi 1999).

The 1990s public sector reforms have been vast and painstaking and they may certainly be analysed from the standpoint of several social science paradigms. Within public administration, it has been argued that the 1990s have brought about a hollowing out of the state (Rhodes 1994; Campbell and Wilson 1995; Peters 1997). However, reforms in the allocative and regulatory branches of government may be interpreted as the search for a new model of public sector governance.

Although the characteristics of such a new regime are far from clear or entirely known, they do involve that governments seek to substitute short-

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term contracting for long-term contracting. Here we will employ a contractual perspective and view public sector reforms as responses to contractual failures, which may be ameliorated by the design of new institutions for how governments arrange for the provision of goods and services.

New public management, or NPM, is certainly not a coherent set of principles that replace public administration. Several commentators have called attention to the fact that new public management lacks a core set of ideas, combines different reform strategies and gives the impression of fad and fashion (Hood 1991, 1995). Not denying that the public sector reform strategy of tendering/bidding cannot be traced back to a single body of theory, I still wish to pose the following question: to what extent is it possible to view the ongoing public sector reforms in capitalist democracies as a search for optimal institutional design?

PUBLIC SECTOR REFORM, MECHANISM DESIGN AND TRANSACTION COSTS

Posing a question about optimality involves the danger of committing the sin of teleology, or naively believing that if one can identify optimal solutions to social problems, then actors will automatically implement them. The theory of the design of institutions is orientated towards finding the rules of human interaction, which promote the achievement of optimal social outcomes (Meyerson 1989; Ledyard 1989). But the institutions designed must also be implementable, given the assumption that behaviour is predominantly egoistic.

Mechanism design theory looks at the institutions that govern contractual interaction (Molho 1997). It was basically developed for analysing contractual difficulties in the private sector, but we must ask whether it is not also applicable to the public sector. As mechanism design theory asks which institutions promote socially acceptable outcomes and, at the same time, reduce the incentive to cheat or lie, we may apply it to public sector reform issues, asking how governments would go about finding optimal contracts for service provision and implement them.

In order to understand public sector reform conducted in accordance with the NPM paradigm, we will focus upon the distinction between long-term contracts and short-term contracts and state what it implies in terms of a principal-agent approach to the public sector. Work upon the principal-agent framework has been progressing since the 1970s, concerning problems in private sector interaction (Stiglitz 1989), but it is now often employed in modelling public sector problems, for example bureaucratic behaviour (Miller and Moe 1983). The distinction between long-term and short-term contracts, however, has not been used earlier.

The principal-agent framework is highly applicable to human interaction that takes places over a considerable time horizon, involving an agreement between at least two persons according to which one (the agent) is instructed to take action on behalf of another (the principal) against money

compensation (Ricketts 1987). Agency-type relationships characterize the work of professionals such lawyers, stock-brokers and doctors, but the principal-agent framework is in a general way applicable to the employment relationship, i.e. it models the interaction between employer and employees, not only in the private sector but also in the public sector (Milgrom and Roberts 1992).

The key problem in agency relationships is to devise a contract that motivates the agent to work for the principal at the same time as the principal pays a compensation that corresponds to the effort of the agency. Since effort tends to be non-observable, there arises the problem of fully and correctly specifying the contract guiding the interaction. Post-contractual difficulties can occur when an agent shirks, that is, moral hazard problems concerning hidden actions. Or pre-contractual opportunism can occur when an agent hides information that is relevant to the negotiation and signing of a contract – adverse selection problems resulting from asymmetric knowledge (Macho-Stadler and Perez-Castillo 1997).

At the root of the contractual difficulties modelled in advanced game theory (Rasmusen 1994), we have the fundamental fact of contractual incompleteness, or the impossibility to write a contract that covers all contingencies. Negotiating, signing and implementing a contract results in so-called transaction costs. When contracts have a short-term duration and deal with standardized goods and services, then transaction costs can be kept low, so that they can be arrived at quickly and enforced effectively in court by litigation. However, when contracts concern agency relationships, then matters are different.

In the conventional transaction cost approach, the occurrence of massive transaction costs give rise to non-market types of institutions, so-called hierarchies (Williamson 1973; Coase 1988). Yet, one needs to broaden the analysis of transaction costs to include also the contractual difficulties encountered in hierarchies, namely monitoring costs. Basically, contracts may be of two types, short-term or long-term, and the use of each type results in principal-agent problems. Short-term contracts are optimal when transaction costs are non-existent, and long-term costs are optimal when transaction costs start running high. Add monitoring costs, however, and the analysis will be different.

Each type of contracting, long-term versus short-term, poses problems in transacting between principals and agents. Since the NPM framework proposes the massive employment of tendering/bidding, the key question for public sector reform today becomes the pros and cons of short-term contracting compared with long-term contracting, which was used as the chief institution in traditional public administration, bureaus constituting one of the most important kinds of hierarchy. When is the one, long-term contracting, more appropriate than the other, short-term contracting, and under what conditions?

CONTRACTING UNDER ALTERNATIVE REGIMES

Organizations may provide goods and services using either in-house production or contracting out. In-house production tends to rely heavily upon long-term contracting creating hierarchies, whereas contracting out relies upon tendering/bidding processes taking place in market forms and resulting in short-term contracts. Whether organizations use in-house or contracted out production, they engage massively in contracting, a contract being a legally binding agreement.

When organizations employ numerous people, they tend to use the long-term contract which regulates only in a broad fashion what the agent is going to do for the principal against compensation in the form of a salary. The '*usual employment contract*' is '*a relational contract*', which specifies '*broad terms and objectives* and putting in place some mechanisms for *decision making*' (Milgrom and Roberts 1992, p. 330), providing the employer or his/her managers with authority to order the employee to do anything that is not outside of the scope of the contract.

The long-term relational contract has been typical of public organizations, especially the bureaus, but also of traditional public enterprises. Employment was basically for life, and the employees were instructed what to do by means of administrative law. The Weberian ideal-type of a rational bureaucracy emphasizes the positive consequences of long-term contracting for the evolution of expertise, agency independence and the rule of law. New public management breaks with this mode of organization, replacing long-term contracts with short-term contracts.

Organizations may wish to enter the marketplace and buy the services it needs for its provision of goods and services – contracting out production. Conventional markets operate with so-called spot market contracts, as they '*govern goods and services that are to be exchanged "on the spot"*' (Milgrom and Roberts 1992, p. 131). However, short-term contracting include many other forms of contracting which has a limited time duration: procurement, contracting out, leasing, franchising and public-private partnerships. New public management is the theory that argues that these forms of contracting may provide government with better tools of governance than the traditional form of relational contracting, i.e. long-term contracting. Not all forms of relational contracting are long-term though, as several forms of principal-agent interaction have a short-term duration, but never as short as in spot market contracting.

Government face the task of providing their citizens with goods and services. In traditional public administration government employs the bureau or the public enterprise, i.e. in-house production, to a large extent. In new public management there is a preference for contracting out production. This shift from one governance regime to another can be analysed by examining the pros and cons of long-term and short-term contracting, respectively.

LONG-TERM PUBLIC CONTRACTS

The theory of contracts has been developed in private sector settings where the buying and selling of objects is at stake (Shavall 1998), as contract law and its derivatives constitute the basis of private law (Atiyah 1996). However, it requires little imagination to approach public sector provision of goods and services as attempts at resolving contractual matters. Generally speaking, government may employ either a vast set of short-term contracts or a huge set of long-term contracts in order to contract for the provision of goods and services.

After all, the notion of a contract has waxed and waned in political science and public administration. One of the main stays of historical political theory was the contractarian school, lasting from Grotius to Kant over two hundred years. One may interpret not only constitutions as contracts, but also elections, although it is an open question whether speaking of elections as the making of a contract and the next election as an evaluation of the contract involves a reality or is only a metaphor. It is no doubt possible to stretch the contractual language a long way. Here, we concentrate upon public contracts in a substantial sense, i.e. the making of an agreement about quantities, prices or costs between government and an agent, following negotiations about the terms of the contract.

Contracting, whether in the public or the private sectors, is always a form of exchange. Thus, state legislation falls in principle outside of contracting, as it expresses authority or Hobbesian command. Much state activity involves authority in the form of the making and implementation of rules of various kinds, for both the private and the public sectors. However, contracting is far from absent from the public sector. Government engages in contracting on a vast scale in order to solve allocative and regulative tasks. Thus arises the key question: which form should government choose for these contracts: long-term or short-term?

Traditionally, it has chosen the first type, but governments all over the world are now moving towards the use of the second kind. Why? Long-term contracting is at the heart of the two classical mechanisms for delivering services in the public sector, namely the bureau in the 'soft' sector and the public enterprise in the business sector. More and more, the evaluation studies of the efficacy of the bureau and the public enterprise have indicated that they perform worse than private sector institutions when a comparison is possible (Boyne 1998).

Allocative contracts

A considerable portion of the public sector consists of government providing gratuitous services to citizens or nearly so in the soft part of the public sector. Basically, the provision of these services is paid for by means of taxation. Here, we have not only the traditional public goods, but also the typical welfare state goods: education, health care and social care. In order to arrange a supply of these services government needs people that work

for it, organizing the supply. The traditional solution is to construct a bureau or an agency and hire people on long-term contracts.

Long-term contracting in public resource allocation has been seen as a positive solution to contractual problems between government as the principal on the one hand and bureaucrats and professionals as agents on the other. As governments tend to deal in services that have long time-limits, they face all the difficulties involved in writing complete contingencies contracts. Long-term contracting in the public sector, combining a broad-based employment contract with instructions given in administrative law, offers a solution to contractual incompleteness. It identifies a contract under which a person accepts an obligation for a set of broadly defined duties against compensation in the form of tenure or life-long employment.

By using a long-term contract, government accomplishes a form of stability that could be conducive to not only predictability and safety, but also to expertise among the employees. The latter would accept lower salaries than under short-term contracting, acknowledging the favour of having tenure in the form of accepting a lower salary. The standard image of public sector employment is that it is less lucrative than private sector employment, but it is safe and long lasting – at least, so it was often said.

Long-term contracting in public resource allocation employs the budgetary process, through which the agencies become funded out of taxation, to complement the direction given in administrative law. Although the budgetary process tends to result in yearly appropriations, it is still the case that the agencies funded tend to become almost immortal (Kaufman 1976). They may be amalgamated but then they live on as sections within larger agencies. Budgeting tends to be marginalistic or incremental, except in periods of major reshuffling. The yearly budgetary process may be interpreted as a bargaining process about contractual terms concerning quantities, prices or costs (Wildavsky 1988), but what is typical of short-term contracting is missing, namely competition. Now, what are the chief problems in long-term contracting as used within bureaus?

Long-term contracting for agencies results in the monitoring problem, as government cannot simply trust the agency to live up to all its contractual expectations, especially when many of these remain implicit and the environment is unpredictable. What has actually been agreed upon? This is the moral hazard problem typical of contracting in a world of uncertainties. Thus, long-term contracting results not only in all the institutions that define the appropriations process funding agencies, but it requires also the setting up of institutions for monitoring. The literature in public administration is replete with various models of monitoring, centralized or decentralized, dealing with the problem of how shirking is to be minimized under a regime of long-term contracts. Using monitoring, costs could rapidly spiral. Another possibility is reputation, surrounding the agencies with a special aura, conferring prestige upon managers that uphold the reputation.

Yet, it is not the crew problem in itself that makes moral hazard so difficult in long-term contracting. How to use the personnel in an optimal fashion is a problem in both public and private organizations, i.e. metering in the analysis of so-called teams, where opportunism results in shirking strategies (Alchian 1977). In the classical Niskanen analysis, public budgeting entails inefficient outcomes, as all agencies tend to become twice as large as their optimal size. This is a very exaggerated model about asymmetric knowledge. The key difficulty is instead the occurrence of X-inefficiencies meaning too high unit costs.

In the budgetary process, government interacts with the agency in order to arrive at a decision about the quantity of services supplied and their cost, where government has agreed a grant that covers the expenses of the agency. Niskanen predicts that supply will be twice as large as optimal supply, but this outcome is one possibility if government has no knowledge whatsoever about marginal costs and marginal value. In addition, it is a very cumbersome method for agencies to use private information in order to get advantages. The agency will be under utilized instead of maximizing size, i.e. we have the problem of X-inefficiency (Frantz 1997).

In long-term contracting between the government and its agency, there is bound to be massive moral hazard, i.e. hidden action and hidden information, aggravated by the severe problem of validating the contract. From a legal point of view, the agency belongs to the state and government does not take action against its own agencies by means of ordinary courts except when it is a question of the dismissal of individuals. The verification of the contract has to be done through monitoring and the use of special tribunals.

In long-term contracting, public contracts between government and the agencies are different from private contracts between whoever, because the agencies are not legally independent bodies. In theory, they follow the commands of the authority of government, but in practice it is a bargaining interaction with asymmetric information, i.e. a principal-agent relationship, characterized by post-contractual opportunism meaning hidden action and private information.

In private sector principal-agent contracting, the focus is upon devising a contract that takes into account imperfect information on the part of the principal about the effort of the agent. Private principal-agent contracts involve profit sharing as well as risk sharing and compensation (Hillier 1997). In public long-term contracts entirely different mechanisms have been used to compensate for imperfect information: planning and *ex-ante* control, evaluation and *ex-post* control including both auditing and performance analysis.

The special nature of the relationship between government and its agencies presents the former with a rather open contract with numerous possibilities for imposing checks upon the agency. These checks could be made by a special auditing agency on a continuous basis, or they could be done on a discrete basis as a one-off intervention. As a result of the disbelief in

ex-ante control, *ex-post* surveillance techniques have become more and more frequent, often involving an obligation by each agency to evaluate itself on a continuous basis. However, long-term contracting in the public sector seemed to benefit the agent at the expense of the principal.

Despite all the innovations made in mechanism design to strengthen the position of government in relation to its allocative agencies, most of the evidence from performance analyses points to the existence of X-inefficiencies (Mueller 1989; Boyne 1998). The continued expansion of the public sector aggravates the inefficiency problem of the Leibenstein type, undoing whatever gains mechanism design such as the move from *ex-ante* to *ex-post* control may have brought about over the years. One could very well argue that a Leibenstein strategy is much more likely than a Niskanen strategy, if the agents behave opportunistically. This type of rent is much more easily captured than the maximization strategy of Niskanen, which involves excessive supply. It is after all much more easy to hide slack than too large a supply.

Allocative long-term contracts were offered by government to either bureaus or public enterprises. Public enterprises of the traditional type had a legal status placing them in-between the bureau and the firm. Thus, they were part of government but possessed a limited degree of budgetary autonomy. However, major investment decisions and decisions on charges or rates had to be made by the Ministry of Finance or Industry. The traditional public enterprise tended to constitute a drag on the budget, because these firms often required subventions to cover losses, especially when they were instructed to set charges low. The real cost of these firms, or the level at which costs could be minimized, was not easily discernable owing to the abundance of people employed for distribution purposes.

Yet, public enterprises were at one time considered an appropriate institutional mechanism for handling the risk of monopoly in infrastructure. Firms operating in situations of so-called natural monopolies were to be nationalized, because then government could be absolutely sure that the supplier would operate in the best interests of the country. Sometimes this is called the European solution to the problem of monopoly in infrastructure, because in the United States another institutional mechanism was put in place – the public utility, or the public regulation of a private firm. The traditional public enterprise was thus employed in public regulation, the aim of which was to enhance socially efficient solutions by means of long-term regulative contracts, creating a barrier to entry and thus a regulated legal monopoly (Spulber 1989).

Regulative contracts

When taxation is not employed to pay for most costs in the provision of goods or services, then it is no longer a matter of bureau allocation. Instead the mechanism is the firm, which covers most of its costs by means of user fees, as in the business part of the public sector. These firms may have

private or public owners. In order to curb their monopoly power, government has written regulatory contracts, stipulating quantity and price. These contracts used to take the form of long-term agreements, covering entry, quantities, service quality, and customer remedies as well as prices.

Traditional economic regulation covered vast sectors of the economy where public enterprises or public utilities used to be active, but they have been abolished in many countries (Vickers and Wright 1988; Wright 1994). Traditional economic regulation does not work, not even when the firm is owned by government (Stigler 1988). The inefficiency of long-term contracting appears again in the form of hidden action on the part of the regulated industry *vis à vis* the regulator, i.e. government. And it takes the form of X-inefficiency, meaning that costs are not minimized. This time the higher prices allow for excess profits, which end up with either the owners as an economic rent or with the employees in the form of excess costs.

The long-term character of contracts in traditional economic regulation may not be easily detected, as such regimes used to involve yearly agreements about prices and quantities. Yet, the long-term nature of economic regulation is apparent from the entry restrictions that accompany agreements upon prices and quantities. Once a private or public firm had achieved entry regulation, then post-contractual opportunism became very lucrative. Again, the problem is moral hazard resulting in X-inefficiency or too high unit costs, aggravated by the difficulty of implementing the contract through monitoring devices.

It has been argued that the capture problem in public regulation – the tendency for producers to get the regulation that they basically want – can be solved by making the regulators highly credible. In order to steer away from government unconsciously choosing the regulation that maximizes these interests, it has been suggested that regulation should be handed over to independent regulatory boards with executive, legislative and judicial competencies (Majone 1996). Yet, regulators would not have an incentive to find the optimal allocative solution and implement it. Why could they still not be captured sooner or later by the producers? Because of reputation, it is argued, but is the reputation mechanism really the key to the problem of finding and implementing the best allocative solutions?

If regulators want to enhance their reputation among the public, then perhaps they should care more about visibility and toughness, resulting in spectacular moves than display interest in finding and implementing the optimal solution to an allocative problem. Why could not post-contractual opportunism occur among regulators, even if they focus upon reputation, in order to enhance credibility? The new theory that public regulation is feasible, reputation securing the best solutions in allocation, bypasses entirely the strategic and tactical aspects around reputation building.

Perhaps creating contestability among competitors is more important for government than relying upon the credibility of the regulators, if it wants to enhance economic efficiency in the provision of public services? The

analysis of the difficulties with public enterprises, as well as with public regulation point in the same direction as the analysis of the bureau, namely that government could well do with another mechanism of governance rather than long-term contracts of various kinds.

Governments all over the world have dismantled many public enterprises, incorporating them into joint-stock companies, because the private firm institutional structure is more suitable both for the enterprise itself and for the governments (Clarke 1995; Spulber 1997; Rao 1998). If public joint-stock companies are simply firms like any private enterprise, then government is just an owner of equity. Public regulation cannot interfere with the specific details of a firm or put up barriers to entry, because all firms, public or private, require a level playing field. There is little room for regulators deciding price and quality.

Whether one looks upon traditional public regulation as capture effort and rent-seeking or as the equilibrium outcome of legislative markets where the demand for and supply of regulation is allowed to interact (Stevens 1993), it still seems to hold good that government could successfully try another kind of governance mechanism, trusting that competition in supply is forthcoming naturally, and buy the services it wishes to provide or let the consumers buy them directly from a set of firms, private or public.

Summing up

The two basic institutional mechanisms in the public sector used to be the bureau and the public enterprise. They were both structured according to the logic of long-term contracting. The ongoing public sector reform activity expresses a profound disbelief in such contracts, which has led to a movement towards the employment of short-term contracting in both allocation and regulation. Moving away from long-term contracts towards short-term contracts involves vast institutional changes and new strategies for mechanism design. Table 1 depicts the four possibilities.

If moral hazard or post-contractual opportunism resulting in X-inefficiencies is the key to understanding the move away from long-term contracting, then are there no principal-agent difficulties in the new regimes based upon the employment of short-term contracting in the public sector? I will argue that adverse selection now surfaces, i.e. pre-contractual opportunism.

TABLE 1 *Contracting: the 'soft' sector and the business sector*

CONTRACTING		
Soft sector	<i>Short-term</i> Tournaments	<i>Long-term</i> Bureau supply
Business sector	Auctions	Entry regulation for the public enterprise

SHORT-TERM CONTRACTING REGIMES

Governments have started to use short-term contracting for allocative tasks in both the business sector and the soft sector. The resort to short-term contracts has been accompanied by rather dramatic institutional changes in the legal position of the providers of public services. Governments seem to prefer that they as principals interact with agents that possess a higher degree of independence than is usual under long-term contracting. What matters crucially is competition among agents for contracts with government in both the soft sector and in infrastructure.

Thus, there is now a clear preference for joint stock companies as the legal form for the agent in the business sector. Often the joint stock company remains public partially or totally after the institutional reform with government as the owner of equity. The relation between government and the public joint-stock company is a very different one, compared with the interaction between government and the traditional public enterprise. Instead of engaging in supervision and control, government may resort to market concepts like 'shareholder value' and 'return on equity'. The joint-stock company institution may also be employed in the 'soft' sector, for instance in the provision of health care.

In order to engage in short-term contracting, government looks upon the providing agents in a more neutral way than for long-term contracting. The crux of the matter in short-term contracting is competition between agents, real or potential. Thus, some agents will lose out and others will win, a relationship that may be reversed in the next round of negotiations. Agents would be drawn from a potentially large pool, including traditional public agencies, public joint stock companies, private firms and entrepreneurs, as well as various hybrid forms.

Short-term contracting may be used for allocative purposes in both the business sector and the soft sector. What is common in both sectors is the use of tendering/bidding instead of appropriation/legislation. Although there exist a variety of mechanisms for tendering/bidding, tournaments may be employed in the soft sector and auctions in the business sector. Let us develop somewhat more what is entailed in such short-term contracting schemes.

Tournaments

Under the internal markets regime or the purchaser/provider split mechanism, government tries to insert tendering/bidding into the provision of services in the soft sector. It involves abandoning long-term contracts and installing short-term contracts. Often agencies are reformed from public bureaus into semi-independent production units or straight-forward joint stock companies, although with considerable public ownership of equity (Thynne 1994). Another mechanism used is the executive agency with a set of clearly specified tasks where a tendering process is used to hire a chief executive officer (CEO) on a short-term contract basis (Smith 1999).

Moving towards tendering/bidding as the basis for making allocative contracts amounts to an immense change in government practices. It will only work if there is a pool of agents forthcoming and if government is capable of selecting the good agents ahead of the bad agents – the adverse selection problem. If the adverse selection problem cannot be resolved, then government will find its situation to have deteriorated compared with long-term contracting. What are the main difficulties with using short-term contracting for the supply of services in the soft sector?

Allocative functions taking place in the so-called soft sector of the public sector tend to be based upon professional expertise acquired by means of long-term training. Will a pool of competing agents always be forthcoming in relation to short-term contracts by government, when agents need a long period to develop expertise? It should be pointed out that tendering/bidding has always been used by governments, but not on the scale envisaged in the new short-term contracting regimes. Thus, standard functions were often handed over to subcontractors. Could it really work on such a huge scale as that entailed in the tendering/bidding schemes under New Public Management?

If all agents are not credible, if some agents only engage in pre-contractual opportunism hiding their real capacities – the so-called lemons problem (Akerlof 1988) – then how can government negotiate and make short-term contracts that limit both the risk of and the disruptive consequences of contractual failures in the soft sector? One can conceive of different instruments that a principal can employ to restrict the consequences of pre-contractual opportunism.

Yet, the experience with short-term allocative contracts is not entirely convincing as long-term contracting features tend to creep back in (Montin and Persson 1996). The principal is often too eager to bind a good agent beyond the duration of the short-term contract agreed upon, when government has found a credible agent with specific performance qualities. In such a situation, short-term contracting will simply not work. This is explained in the general model about the consequences of asset specific knowledge for the use of hierarchies versus markets (Williamson 1986).

It is vital that one develops an understanding of the limits of short-term contracting in relation to its use within the public sector. Tendering/bidding may be achieved by means of alternative institutions such as different forms of tournaments for the provision of services in the soft sector. The impact of these institutions upon the interaction between the principal and the agent is basically negative in the sense that it helps solve the basic moral hazard problem of hidden action or hidden knowledge at the post-contractual stage, giving government an instrument to curb the opportunism of the agent. What tendering/bidding accomplishes is a reduction in asymmetrical knowledge on the part of an established agent, bound by a long-term contract. But how can government be sure that alternative bids are serious or implementable – the adverse selection question?

Tournaments involve pitting the agents against each other, asking them to deliver bids for allocating goods or services. If the bids specify not only the costs of the agents but also quantities and qualities in service provision, then one may employ yardstick or benchmark competition. Tournaments need to be organized using detailed rules about tendering, respect for which may increase the credibility of alternative bids. But contractual observation is a different matter. Short-term contracts are always, legally speaking, private law contracts between two independent parties whose validity is to be decided upon by ordinary courts, never public law or administrative courts. But adequately handled tournaments in no way guarantee that post-contractual opportunism will not occur in the form of contractual reneging.

When reneging occurs in contracts for the provision of soft sector services, then government may find little comfort in scoring a victory against an agent after a litigation procedure. Whatever compensation government may squeeze out of a reneging agent will usually have to be spent upon finding a new agent that can take over the supply quickly – the so-called switching costs. Government may of course lose against an agent in litigation simply because it signed a bad contract with a bad agent.

Auctions

Although auctions adhere to the same type of mechanism – bidding/tendering – their logic is somewhat different, making them more appropriate in the business sector (Smith 1989). In auctions, one auctions away something to an agent who delivers the highest bid (English auction) or the agent who first accepts the requested price (Dutch auction). Thus, in tournaments, the agents deliver alternative cost.schemes, whereas in auctions the agents offer various prices. What government may auction away is access to or use of infrastructure typically owned by government. It may also auction out property rights, thus divesting itself of infrastructure once and for all.

The classical question in traditional economic regulation concerned what to do with sunk costs and irreversible investments, characteristic of the huge capital investments in infrastructure. Tendering/bidding schemes seem only to be viable, if one disconnects ownership of the physical capital from its employment. Thus, competition between alternative agents in the delivery of infrastructure is only feasible if the owners of the assets auction them out for hiring during a specific period of time. Such leasing schemes may also involve other rights, such as the right to decide user fees, or they may be strictly limited to the use of connections.

Yet, arranging auctions may be a relatively simple task if one knows the future income streams from the operations that use the connections. But, alas, the problem of per-contractual opportunism surfaces again. How is government to distinguish between credible bids and non-credible bids in auctions? Failure to fulfil a contract received in an auction may cause the

principal as many difficulties as the agent. Not only transaction costs involved in contractual disputes and legal action in court, but also switching costs can become considerable in relation to infrastructure.

Moving to a scheme with recurrent auctions presupposes massive deregulation of the entire sector of infrastructure. A condition is the well-known level the playing field, which requires that competition be open to private firms and entrepreneurs as well as to various public producers, preferably organized in the form of public joint stock companies. In a number of parts of the business sector, deregulation has gone hand in hand with the creation of competition between several providers, such as telecommunications, air transportation and energy suppliers.

It has been argued that the strong deregulation that took place in the 1980s and 1990s should now give way to a period of strong reregulation (Majone 1996). However, if traditional regulation did not work, then why is there any reason to believe that the new reregulation will work? Many parts of the business sector seem to have benefited from the move towards the use of auctions, at least if one looks at how prices have come down and output has been expanded.

OUTCOMES: THE TRADE-OFF BETWEEN PRODUCTION COSTS AND TRANSACTION COSTS

There is now forthcoming a wealth of studies about the effects of tendering/bidding and contracting out. The evidence for or against an outcome differs often from one study to another, as there is as yet no clear picture about the impact of the new governance models. However, we will underline one recurrent theme, namely the inverse relationship between production costs and transaction costs.

Most analyses of the outcomes of the introduction of NPM hint at the reduction in costs for government. The cost reduction seems to be at about 20 per cent or more, at least in the short run. The cost reduction has occurred in all the sectors at the regional and local government levels where NPM has been introduced, from garbage collection to health care provision. This is quite a substantial outcome, which when it takes place in a large county or metropolitan area like Stockholm means a lot (Jonsson 1996).

However, most outcome analyses state that the direct and large cost saving is to some extent dissipated by considerable transaction costs, i.e. the effort to negotiate, execute and monitor a lot of contracts. Transaction costs differ from production costs in one crucial aspect, they are not strictly measurable. This makes it impossible to specify empirically the exact nature of the trade-off between transaction costs and production costs. One would like to know to how much of the cost saving is lost by mounting transaction costs. No evidence has been published that suggests that all the cost advantages are dissipated by transaction costs.

If costs are on the whole down, then how about service quality? Any gain from a strong economic outcome of reduced overall costs could be

undone by low performance on the quality indicators of public service provision. The evidence is mixed concerning the outcomes. One finds examples of all three possible quality results: (1) quality deterioration; (2) quality improvements; and (3) no quality change. It seems as if outcome (3) is the most probable one. One problem is Y-inefficiency, meaning that non-lucrative needs are neglected, for example, when certain customers are left unserved.

If the economics of NPM works well, then how about the impact of NPM upon democratic politics? It has been argued that NPM may accomplish economic objectives such as productivity or effectiveness, but NPM will in general have a negative impact upon democracy and its values. The capacity of politicians to govern is reduced by NPM – this is the basic argument about the political outcome. The evidence points clearly to a major new or strengthened role for managers, but faced with a set of CEOs, politicians develop new tools of management (Montin 1998). NPM seems to strengthen the power of politicians to direct and change the public sector, but the successful implementation of tendering/bidding and contracting out requires a reliance upon managers, whose position becomes very strong. The stakeholders of public services adapt fairly quickly to the governance regime, finding out how to increase their capacity to safeguard their interests. Thus, trade unions do not uniformly reject NPM, but look for opportunities to prevail under such quasi-market regimes (Harden 1992).

Finally, the evidence concerning the employment of NPM at the central government level, i.e. the use of chief executive agencies in the core executive, indicates, again, mixed results. On the positive side, governments appears to be able better to clarify goals and tasks in relation to the central bureaucracy. On the negative side, the clear-cut separation between politics and administration aimed at seems difficult to accomplish. A key difficulty is risk and the allocation of responsibility. When things go well, government stays at arm's length from the executive agency. However, when things go wrong, politicians find it very difficult to stand back from them (Rhodes and Dunleavy 1995).

PROMOTING SHORT-TERM CONTRACTING

Short-term contracting regimes are based upon the assumption that competition is naturally forthcoming. What needs to be done is to create a situation where agents may compete. The move from long-term contracting to short-term contracting presupposes massive deregulation, opening up both the public sector and the regulated sector of the private economy to competition. This is negative regulation, or the removal of constraints to competition. But should government also undertake positive regulation, i.e. engage itself or a set of powerful regulators in anti-trust policy-making in order to stimulate competition, as there may be a need for a uniform competition regime covering not only the public sector but also the private sector?

I am here referring to anti-trust regulation, the efficiency of which is a contested matter. Competition in the form of contestability exists, so long

as government does not restrict entry by means of long-term regulative contracts (Demsetz 1991). Government cannot create competition by fiat. The experience from vast deregulation suggests another answer. When long-term contracts have been removed, there is uncertainty among the agents about the rules as to who can compete and under what conditions. It is difficult not to call for the creation of a uniform competition regime, governed by an umpire. To rely only upon contract disputes settlements in ordinary courts, as recommended by Posner (1992), seems inadequate. But how much reregulation is adequate?

Short-term contracting when employed all over the public sector will require a transparent set of institutions, regulating, both *ex ante* and *ex post*, the tendering/bidding process. Questions are bound to arise about which agent can compete in which tournament/auction – *ex ante* – as well as about what behaviour is appropriate after an agent has received a contract – *ex post*. It would seem naive to believe that all contractual problems – *ex ante* or *ex post* – could be handled by case law in ordinary courts. Some common regulatory framework appears unavoidable, which calls for the installation of a tribunal supervising the observation of the rules of competition. Thus, there would be a case for reregulation, creating a uniform framework for short-term contracting in the public sector.

But the adherents of reregulation want more. They argue for the reintroduction of regulations concerning prices, quantities and quality. And such regulatory frameworks are to be handled by a set of powerful regulators, removed from democratic political control, enjoying more a status of societal trust than being the agents of the body politic as the principal (Majone 1998). Such regulatory schemes could, however, seriously limit the scope of competition and thus reduce the applicability of short-term contracting.

There is thus a danger that a process of deregulation will be followed by a process of reregulation so extensive that it undoes what has been accomplished by the move towards deregulation. One may note this tendency in the British experience with denationalization leading successively to the introduction of massive regulation, some of which is of the old public utilities' type, focusing upon the setting of prices and quantities (Thatcher 1998). A new massive reregulation along the lines of recent British developments could actually involve a step back towards long-term contracting.

It has also been argued that the European Union should develop into a regulatory state, consisting of a web of independent regulatory boards, including the new European Central Bank (Majone 1996). However, a monetary authority is different from a regulatory board, as it is at the same time a productive entity, creating the money coins and bills besides regulating its use. European Union regulation, including the activities of the ECB, seems more in tune with the theory of negative regulation than with the positive one, underlining the removal of barriers to competition, again emphasizing state intervention.

CONCLUSION

Ongoing public sector reforms may be interpreted as an institutional change from long-term contracts to short-term contracts, both within the soft sector and the business sector. The present experimentation with short-term contracting in the form of internal markets and competitive tendering as well as with the introduction of international rules for public procurement may be interpreted as a reaction to difficulties with traditional long-term contracting in the public sector. These difficulties stem from moral hazard problems. Hidden action problems characterize much of the budgetary process for the soft sector and they occur as well in the business sector under the traditional economic regulation regime focusing upon entry regulation.

The move towards short-term contracting requires that government must learn how to manage tendering/bidding processes from start to finish. In particular, it must learn how to handle the adverse selection problem or *ex ante* contractual opportunism, because providers may decide to sue the government for contractual violation rather than correct the supply when faced with criticism by government. They may even both renege and sue, if government has written sloppy contracts.

The short-term contracting regime applies as well to the hiring of the CEOs who will be responsible for the incorporated public enterprises. They will have to be appointed on the basis of tendering/bidding, having a few years' contract. The same may apply to the core executive, as when a government puts in place a system of executive agencies. When sections of department or ministries have clear functions, then they can be governed by means of CEOs appointed on the basis of short-term contracts.

Without a transparent set of competition rules administered by tribunals at the national level, short-term contracting regimes may not operate smoothly. Thus, the British experience is that the shift towards all the expressions of the massive use of short-term contracts – contracting out, market testing, outside suppliers – has been attended by a large increase in public regulation. However, the risk is that the reregulation movement has become so extensive that there may be a slip back into the sin of traditional regulation, namely entry regulation.

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'OUT OF SIGHT, OUT OF MIND': ASSESSING THE IMPACT OF MARKETS FOR CHILDREN'S RESIDENTIAL CARE

IAN KIRKPATRICK, MARTIN KITCHENER AND RICHARD WHIPP

This article is concerned with assessing the effectiveness of markets for complex professional services in social care. The issue is explored through an account of developments in the children's residential care sector. Over the past five years there has been a steady expansion in the role of external markets in this area. However, this was not required by the Children Act 1989 and has become the subject of considerable debate between policy makers and practitioners. While some favour an extension of choice, others argue that a further decline in local authority run provision will be both costly and detrimental in terms of meeting key policy goals. In order to assess these claims, reference is made to the findings of a study of purchasing practices for children's residential care in twelve local authorities in England and Wales. The impact of the emerging market is analysed along two dimensions. Firstly, we assess how far it is operating efficiently, concentrating on market structure, information and transaction costs. Secondly, attention is given to the impact of market changes on the policy objectives of: localized placements; ensuring adequate safeguards; and matching needs and services. The results reveal that there have been significant costs associated with markets in children's services. In a context of government efforts to promote modes of service delivery on the basis of 'what works', these difficulties have certain implications. Not only do they draw attention to the need for greater collaboration between purchasers and providers, they also point to the continued relevance and usefulness of local authority managed provision.

In the New Public Management (NPM) literature it is assumed that 'contract based competitive provision' is a superior mechanism to bureaucracy for organizing the delivery of public services (Hood 1995, p. 96). In Britain, this belief informed policies aimed at separating purchaser and provider roles and opening up competition between public and private sector organizations (Hoggett 1996). However, while these changes have been pursued vigorously, doubts about their effectiveness remain. Many argue that markets, like other aspects of the NPM package, are inappropriate in the context of public services and may even be counter-productive (Stewart and Walsh 1992). More specifically, it is claimed that competitive markets are unlikely to function well in areas such as health and social care (Charlesworth *et al.* 1996; Flynn *et al.* 1996). A dominant assumption has been that 'social care

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is different from other goods and services . . . that it was inappropriate to bring market relationships into a context where users were vulnerable and outcomes difficult to define or measure' (Wistow and Hardy 1999, p. 183).

These doubts about the viability of markets have led to more general questions being raised about the 'appropriateness' of different governance structures for social care (Lewis *et al.* 1996). A growing trend in the literature is to argue that markets should be more effectively 'managed' in order to encourage greater collaboration and joint working between purchasers and providers. As in the private sector (Sako 1992; Milne 1997), it is claimed that many of the costs of markets will be minimized through the development of networks and 'relational' contracts. Recently this idea has been promoted both by academics (Wistow *et al.* 1996; Osbourne 1997) and policy makers (Audit Commission 1997). It is also consistent with the stated goals of the new Labour administration, elected in May 1997, namely to pursue 'a third way, between hierarchies on the one hand and markets on the other' (Hunter 1998, p. 18).

To date, most of the research investigating these issues has focused on local authority services for adults, covered by the National Health Service and Community Care Act 1990 (Wistow *et al.* 1996; Walsh *et al.* 1997; Lewis and Glennerster 1996; Means and Langan 1996; Johnson *et al.* 1998; Leat and Perkins 1998; Wistow and Hardy 1999). With some exceptions (Support Force 1995; Social Services Inspectorate [SSI] 1995, 1996; Petrie and Wilson 1999), far less attention has been given to the emergence of external markets for other local authority services such as children's residential care. In part, this is because key legislation – the Children Act 1989 – did not require externalization (Hallett 1991). Also, by comparison to adult services, local authorities have been far less prone to contract out (Berridge and Brodie 1997). This, however, does not mean that developments in this sector are unimportant or that they should be ignored. On the contrary, we argue that the children's residential care sector offers a useful 'illustrative case' (Yin 1994) for evaluating wider questions about the appropriateness of markets in social care.

The chief reason why it is useful to focus on the case of children's residential care is that it represents a service where the obstacles to market implementation are particularly serious. In the policy literature, two main difficulties are identified. Firstly, it is argued that markets will be inefficient given the complexity of professional social work with children and families (Walby 1993). Such work necessitates close co-operation between purchasers and providers (Jones and Bilton 1994; Kirkpatrick *et al.* 1999) and, apparently, makes contracting ponderous and costly (SSI 1996). Secondly, children's services are considered to be high-risk services, with vulnerable users and distinct policy requirements that are incompatible with markets (Simm 1995; Clarke 1995). For both of these reasons it is argued that 'the disadvantages of the market framework for distributing services for chil-

dren are even greater than those for adult services' (Petrie and Wilson 1999, p. 193).

In this article our aim is to begin to assess the validity of these claims. To do so we focus both on the question of market effectiveness and on the extent to which alternative governance structures (networks) are emerging. In order to address these issues the article is divided into two main sections. Firstly, criteria are presented which may be used to assess how well markets are operating. This considers two issues: (a) how far the market is an 'efficient' means of co-ordinating the delivery of services; and (b) the extent to which the emerging market produces a negative or positive impact on the attainment of key policy goals. In the second part of the paper, these issues will be addressed by using research findings from a study of children's residential care in a sample of twelve local authorities across England and Wales (Whipp *et al.* 2000).

THE ANALYSIS OF MARKETS FOR PUBLIC SERVICES

Recent efforts to assess the effectiveness of markets as a means of organizing the delivery of public services owe much to conceptual models derived from institutional economics (Langlors 1986; Walsh 1995). A key insight from this literature is that there are limited possibilities for the development of open, competitive markets in public services. Le Grand (1991), for example, labelled emerging forms as 'quasi-markets'. That is, a market where the state acts as a surrogate purchaser on behalf of 'consumers' and where institutional constraints restrict both supply and competition. More generally, this literature is also useful for setting out broad propositions which state under what conditions markets are likely to function as efficient mechanisms for co-ordinating the delivery of services. Whilst there are a number of ways of conceptualizing this process (Wistow *et al.* 1996; Bartlett and Le Grand 1993), the successful operation of markets has been understood to rest chiefly on the interplay between three important conditions relating to market structure, information and transaction costs.

The notion of market structure points to the necessity for markets to be competitive. That is, there needs to be many purchasers and providers to avoid problems of both supply or demand monopolies, and at least the potential for new providers to enter the market relatively freely. Of necessity there is the requirement that the market should allow prices to reflect the interaction of supply and demand for a given service (Bartlett and Le Grand 1993). The consequences of a failure to meet these conditions may be 'structural losses', for example, where a 'monopoly provider' is able to 'inflate prices beyond the costs of production' (Wistow *et al.* 1996, p. 141).

A second requirement for quasi-market effectiveness is the necessity that 'both sides of the market concerned have access to cheap and accurate information, particularly concerning the cost and the quality of the service...' (Bartlett and Le Grand 1993, p. 24). The importance of information rests on the assumption that there is always potential for opportunism in trans-

actions between principals and agents. For the purchaser, the risks are associated with adverse selection and moral hazard. The former occurs when providers make distorted claims (perhaps through advertising) about their ability to offer certain types of service which are later discovered to be false. The latter relates to the problem of shirking on contracts, for instance, when providers deliver a lower standard of service with fewer inputs than is consistent with the terms of their agreement.

A closely related feature of market operation is the issue of transaction costs (Williamson 1985). These arise from processes of contract specification, negotiation and monitoring (both *ex ante* and *ex post*) required to minimize informational losses and to ensure that the value given and received in any transaction is in accord with expectations (McGuinness 1992).

Transaction costs vary depending on the nature of the service itself and on the degree of asset specificity. For Ouchi (1980), the level of uncertainty and complexity in products or services is perhaps the most crucial factor. Put simply, the more uncertain are inputs and outcomes the more costly are likely to be processes of contract specification and monitoring to account for all future contingencies. This might apply especially to what Walsh (1995) describes as professional 'credence goods', where: 'In the extreme, neither client nor contractor may be very clear about what is happening in complex and ill-understood technologies' (Walsh *et al.* 1997, p. 37).

A further point to make about transaction costs are their implications for the relative efficiency of different modes of governance: markets, hierarchies and networks. Bartlett and Le Grand (1993, p. 30) suggest that markets are only efficient where 'the costs of contracting for a welfare service' are 'less than the costs of the administrative systems they are replacing'. Markets, it is suggested, function best where transaction costs are relatively low, where contracts can easily be specified, quality assessed and where competitive forces operate to minimize the impact of opportunistic behaviour. By contrast, hierarchies may be more efficient means of co-ordinating services where transaction costs are high. This is because of greater 'goal congruency', and the 'incomplete' contract of employment in a bureaucracy which allows managers to 'direct the work activities of the employee from day to day' and 'to closely monitor the employees performance' (Ouchi 1980, p. 134).

More recent accounts draw attention to the role of networks and 'relational' contracts as methods of minimizing transaction costs (Powell 1991). This is accomplished by reducing the potential for opportunism through 'interdependent relationships based on trust, loyalty and reciprocity' (Lowndes and Skelcher 1998, p. 318). According to Sako (1992), network forms of organization are characterized by 'obligational contractual relations' rather than by the more adversarial 'arm's length' relations of spot markets. The former are embedded in social relationships, exist over long periods of time and allow transactions to continue even when contracts are unspecified or open ended. What makes this possible is the existence of

'goodwill trust' which goes beyond the trust found in arm's length trading relationships ('contractual' and 'competence' trust) (Sako 1992, pp. 37–40). Under these conditions both purchasers and providers become committed to maintaining relationships and, consequently, will be less likely to act opportunistically. All this helps to reduce transaction costs by limiting the need for detailed contract specification and routine monitoring.

Markets for children's residential care

Until recently there have been few attempts to apply the concepts discussed above to an evaluation of the market for children's residential care. Such neglect can partly be explained by the fact that, historically, most local authorities in England and Wales have not been large purchasers of children's residential care (Warner 1997). However, over the past five years, this situation has changed dramatically. Whilst in 1993/94, local authority's 'own provision' of residential care (of all categories) in England accounted for 63 per cent of the total, by 1996/97, this had fallen to only 53 per cent (CIPFA 1997).

On the whole, this change has been 'unplanned' (Walby 1993, p. 355), occurring without central policy guidance or direction (Kirkpatrick *et al.* 1999). The reasons for this are complex and varied. Most important is the fact that, during the late 1980s, many local authorities reduced their own provision of residential care, often without developing alternative services such as family placement (Simm 1995). Another factor is that, following local government reorganization, some authorities are now too small to provide for all needs in-house and must therefore rely on external markets (Support Force 1995, p. 28).

Current knowledge of this emerging market points to a similar range of difficulties to those experienced in adult services (for a summary of that literature, see Means and Smith (1998)). These include shortfalls in supply and the under-development of the purchasing function (SSI 1995, 1996; Support Force 1995; Berridge and Brodie 1997; Petrie and Wilson 1999). It has also been suggested, however, that problems of market implementation in this area will be greater than in other social care services (Walby 1993; SSI 1995). For example, the development of competitive market relations may be hindered by the existence of a regulatory framework which imposes high costs on new entrants (Simm 1995). Another issue is the potential for high informational losses, given the complex and uncertain nature of children's services and problems of contract specification and monitoring (SSI 1996, p. 3). As Walby (1993, p. 351) argues, 'planning, commissioning and contract management' can 'make very heavy demands, particularly when complex, sensitive services are concerned'.

MARKETS AND POLICY GOALS IN LOCAL AUTHORITY CHILDREN'S SERVICES

Besides their economic character, any assessment of social care markets is obliged to address the issue of their impact on the wider policy goals which

shape services for different client groups (Wistow *et al.* 1996). In local authority children's services, this requires that we look broadly at how markets – not formally required by legislation (Hallett 1991) – have impacted on the attainment of policy goals set out in the Children Act 1989 and subsequent guidance. Three issues are of particular importance.

First, a major requirement of the Children Act 1989 is that, whenever possible, children who are looked after should be placed locally in order to allow for on-going contact with their family and community (Parton 1991). While this goal can normally be attained using in-house provision, a key question is the extent to which authorities will be able to contract out provision and ensure a local placement. Because of the 'high cost, low volume' nature of residential care (Support Force 1995, p. 8), doubts have been raised about the extent to which specialist independent sector provision will be able to develop in each local authority (Simm 1995). The consequences of this not happening are that local authorities will be forced to place children 'out of area', increasing the likelihood of drift and fragmentation in care plans as clients are left 'out of sight, out of mind' (Department of Health 1997c).

Second, there is the requirement for local authorities, with on-going 'parental responsibility' for looked after children (Parton 1991), to ensure adequate safeguards once they are placed away from home. Recently, this issue has become of paramount importance in the context of a succession of reports which have pointed to the inadequacies of management controls (Department of Health 1997c; SSI 1998). With local authority provision such controls are, in theory, attained through internal inspections, elaborate complaints procedures, monthly 'regulation 22' visits and general supervision and control through the line management hierarchy. In local authority run provision, these systems have been found to be less than fully effective (Whipp *et al.* 2000, ch.4). What is even less clear is the effectiveness of management controls once children are placed in non-local authority establishments. As noted above, a particular problem is likely to be one of achieving adequate control when clients are placed in children's homes which are 'out of area' (Berridge and Brodie 1997).

The third and final issue relates to how far markets might either help or hinder local authorities' attempts to match services with assessed needs (Department of Health 1991; Dartington 1995). In the past, there has often been a failure in local authorities to achieve this strategic matching. This has been due, in part, to insufficient planning (Audit Commission 1994), but also to the tendency to use residential care as a 'last resort' service (Support Force 1995). An even more important obstacle has been the way much local authority provision has been either in limited supply or inadequately specialized to meet all needs (Sinclair and Gibbs 1996). This has led to a practice in many authorities of 'shoe-horning children into vacancies in unsuitable establishments' (Department of Health 1997c, p. 22). The important question that arises is the extent to which an increased role for

external markets might make some difference. For example, by encouraging better planning through the contracting process (Department of Health, 1992), or by expanding the range and choice for more specialized provision to meet assessed needs (Support Force 1995, p. 9).

RESEARCH DESIGN AND METHODOLOGY

This article draws on research conducted as part of a Department of Health funded study of the external management of children's residential care. The fieldwork was conducted between 1996 and 1998. To evaluate the operation of the market for children's residential care, two main data sources were used.

The first and most important data source was a sample of twelve local authorities in England and Wales. Following a logic of purposive sampling, cases were selected in order to account for a variety of potential influences on practice. A key objective was to capture differences in the way that authorities in England and Wales managed relations with the independent sector and in the extent to which they purchased externally. To achieve this goal the sample was stratified in a number of ways. The most important feature was the inclusion of a mix of large and small users of external provision (see table 1). Linked to this was an attempt to reflect differences in the policy goals of local authorities towards the external market. For this reason, the sample included authorities (the majority) which had contracted out provision largely for pragmatic reasons – to fill gaps in 'own' provision – and those (most notably, London 3) where the decision was based on a political commitment to develop the model of an 'enabling' authority. In addition, the sample was divided in such a way as to distinguish the possible influence of size (in terms of 'looked after' populations), organizational structure, geographic location, and type (with three local authorities selected from each category of: metropolitan borough, shire county, London borough and unitary authority).

Once this sample had been agreed, the research developed a comparison of management practices and policy across the twelve case authorities. Main data sources included semi-structured interviews and documentary materials (including committee minutes, annual reports and contract information). In total, 261 interviews were conducted with informants at all levels from across the twelve case authorities. For the purposes of this paper, specific use was made of 25 interviews with senior managers (directors and assistant directors (ADs)), 30 interviews with field social work managers, 12 interviews with contracts managers/placement officers and 8 interviews with managers of independent sector children's homes (four voluntary and four private). Interview pro forma, specific for each these different categories, were designed in advance to ensure reliability and continuity of questioning by members of the research team. The same pro-forma was also used to facilitate data analysis. That is, by setting out a range of dimensions (linked to issues such as contract management and

strategy) along which all 12 cases were compared. During the analysis stage, every effort was made to improve the validity of our findings by employing the logic of triangulation, both within the same data source and between sources.

In addition to the sample of 12 authorities, we also sought to gain a more general picture of how the market was operating. To achieve this, a second main source of data was employed. This included semi-structured interviews with senior managers in ten other local authorities, with three database managers (for the London, North West and West Midlands regional databases) and with representatives of four regional consortia of local authority social services departments (London, North West, West Midlands and Thames Anglia). The issues here centred on more general elements of the pattern of supply, the availability of information and macro trends in contract management practice.

THE QUESTION OF MARKET EFFICIENCY

This section addresses what the findings from the study reveal about how the market is operating in terms of structure, information and transactions costs.

Market structure

In 1996, the majority of the 7,670 children looked after in residential care in England (Department of Health 1997a) were still placed in 810 local authority-run establishments (Department of Health 1997b). However, as we noted earlier, the past five years has witnessed a 'dramatic increase' in the

TABLE 1 *Key characteristics of the 12 case local authorities*

	Total no looked after*	% in residential care*	Own provision† (%)	Other provision† (%)	Number of local authority children's homes	Number of independent providers in area*
Metro 1	1,456	19	79	21	26	1
Metro 2	1,151	13	48	52	21	5
Metro 3	272	11	—	—	6	—
Shire 1	896	19	69	31	8	10
Shire 2	1,722	23	69	31	39	11
Shire 3	1,344	8	52	48	10	5
London 1	261	17	58	42	4	2
London 2	373	25	35	65	8	1
London 3	232	19	16	84	—	5
Unitary 1	—	—	81	19	2	—
Unitary 2	277	15	79	21	4	1
Unitary 3	—	—	79	21	5	—

Sources: *Personal Social Services Statistics (CIPFA 1997);

*Children in the care of local authorities year ending March 1991–1996 (Department of Health 1997).

size and scope of the independent sector (Warner 1997). The exact size and composition of this independent sector varies over time and is hard to calculate. Department of Health figures for 1996 recorded 202 private registered homes, 64 voluntary homes and 84 approved community homes, providing approximately 3,000 child placements (Department of Health 1997c). This is almost certainly an underestimate and does not include many homes with educational provision (Department of Health 1997c), remand placements, or the growing un-registered children's home sector (homes providing 3 places or less). As for the latter, even in the early 1990s, one survey (SSI 1995) found over 120 such children's homes in England.

Despite the increasing size of the independent sector, there are signs that in many parts of England and Wales, the demand for residential provision is out-stripping supply. In all twelve case authorities, informants referred to a 'sellers' or 'providers' market. A typical comment was that: 'in children's residential care, with the independent sector, most of the local authorities have behaved as if they are hostages to fortune and the providers have set their fee levels and said "Take it or leave it"...' (team manager, Metro 3). Across the sample, examples were given of rising fee levels, sometimes in excess of 30 per cent per annum for certain types of specialist provision (Shire 2). These perceptions are largely borne out by statistics relating to the London and South East market where, between 1995-97, annual fee inflation of 11 to 21 per cent was recorded (Care Base, 1997, p. 16). Such price rises were an important contributory factor to overspends in the 'external placement' budgets of seven of the case authorities.

In addition to rising prices, there were signs of a growing deficiency in the supply of specific kinds of residential provision. In London, for example, a 'continuing mismatch' occurred 'between the types of resources requested... and the actual establishments available' (Care Base 1997, p. 13). This was most evident in the market for specialist residential care with education. Although in 79 per cent of referrals (137 in total) these services were regarded as 'most suitable', only 3 per cent of available resources were actually located within Greater London. This forced many authorities to purchase alternative services or look 'out of area' (Care Base 1997, p. 15).

In large part, these deficiencies in market structure can be attributed to high entry costs. A number of factors contributed to this situation. One is the (necessarily) high registration standard for setting up new children's homes. According to an informant in Shire 1, the sector was 'massively regulated' and 'by definition much more expensive, much riskier' than adult services (AD children and families). Other costs arose from high property prices in some parts of the country and difficulties associated with obtaining planning permission. In London 3 and Shire 3, for example, a combination of high real estate prices and organized residents' opposition to new children's homes made the development of new services (either by the independent sector or the local authority) almost impossible.

In addition to these high entry costs, new providers also faced consider-

able uncertainty over future demand for their services. This was partly due to the way external placements were in effect rationed by most of the case authorities; even large purchasers (such as London 3) were using them as a 'last resort'. Provider uncertainty was also exaggerated by the fact that many authorities were highly ambivalent about the future role of residential care and therefore unable to make long-term commitments to purchase services. As a representative of the Thames-Anglia consortia explained:

I think because of the ambivalence about what residential care is for. Few authorities seem to take the steps that would be required to address seriously what their real requirements for residential care are...And therefore what that actually produces is a situation that because there isn't any idea...of how much and what sort of residential care is needed, it is often then acquired reactively and with a very partial and often inaccurate view of what is available in the market.

This lack of certainty was illustrated by the finding that none of the twelve case authorities had actively sought to stimulate their local market. In the absence of clear messages about future demand for highly specialized services, many providers found themselves having to 'guess what local authorities need' (provider manager).

Market information

In addition to these structural deficiencies, there is some evidence to suggest that significant information problems have also been encountered. To some extent, these were caused by 'poor information gathering' and 'partial information' held by most authorities on the range, or quality, of independent sector provision (AD planning, Shire 1). Of the twelve case authorities, none had engaged in any systematic mapping of supply and most relied on a variety of *ad hoc* information sources. These included: written comments made on pre-placement visits to homes, 'glossy brochures', 'word of mouth', 'adverts in community care' and shared experiences of providers which had been used in the past. Only in one case (London 3) had anything approaching a fully maintained data-base of independent sector providers been developed and even here it was admitted that information was incomplete.

These difficulties at authority level were exaggerated by the limited amount of reliable, third party information available. The most accurate source on the range of provision were three regional data-bases, all set up in the early 1990s (Support Force 1995). These included: London and the South East (Care Base) with 331 organizations, the West Midlands Child Care Consortium with 250 providers listed and the North West Association of Social Services Authorities with 110. However, while these data-bases were of immense value (used by eight of the 12 case authorities), their geographical coverage was limited. With the exception of Care Base, they

were not regularly up-dated and did not offer information on provider quality.

Another source of information, offering potentially a better picture of quality standards, was the annual reports on private sector homes conducted by arm's-length registration and inspection units. In all 12 case authorities, informants claimed to make some use of registration documentation for all or some providers. However, questions were also raised about the availability of these reports (not all units were equally responsive) and about how far registration status was any guarantee of quality. In Metro 2, for example, one manager suggested that inspection reports were 'only really the starting point', offering information on the 'routine fabric' but usually without getting into 'the nitty gritty of "who are your past users?" and "have you got any feedback and monitoring?"'. In London 3, doubts about the competency of the registration and inspection unit had even led to a policy of not placing young people in local registered children's homes.

Although hard to quantify, there was evidence to suggest that these deficiencies had resulted in informational losses. This was often related to the problem of adverse selection. In all 12 cases, informants remarked on the difficulties of judging the value for money or quality of providers who sent out 'glitzy brochures, promising to make this child new and making all kind of claims around therapy' (placement officer, Shire 3). This was a particular difficulty with some 'fly by night' un-registered providers, about whom almost nothing was known (AD children and families, Shire 1). Even where official policy restricted placements in these homes, numerous examples were given of clients being transferred into un-registered 'satellite' homes with 'lower staffing levels', and 'without the full understanding of the placing authority' (data-base manager, London).

A linked problem was the cost associated with moral hazard and failing to honour contracts. Informational losses in this area were exacerbated by the poor contract management practices of the case authorities (see below). In London 1, for instance:

A major problem was to do with a unit who promised 'the earth'. When we made the initial placement and perhaps three months down the line or at the first review, we were finding that the unit hadn't delivered all the therapeutic treatment that they said and that, in fact, the child was being 'warehoused' (planning officer).

A further cost was associated with placement drift as providers, taking advantage of open-ended contracts (see below) and under pressure to maintain occupancy levels, sought to extend the duration of placements beyond what was required in the care plan.

Transaction costs

In this section we address the issue of transaction costs by describing the commissioning arrangements in the 12 case authorities which were in exist-

ence at the time of the research and those planned in future, or in the process of being implemented.

Current arrangements

The twelve case authorities were relying on 'spot' (or case-by-case) contracts for all (in ten) or the majority of placements. In most, contracts had been entered into with large numbers of different providers (over 130 in Shire 2 for instance), with limited repeat business. Only in London 3 had anything like an 'approved list' been created, including two providers that were regularly used and internally accredited by a contracts unit. The use of long-term 'block' contracts was also limited. Only two authorities, London 3 and Metro 2, had followed this route, establishing management contracts with local voluntary and (in London 3) private organizations.

In the majority of cases, the level of specification in contracts was limited to each individual child's care plan. Only two authorities (London 2 and 3) had developed fixed pricing or 'call off' arrangements, specifying various inputs and outcomes to be negotiated with providers. In the remainder, all contracts were to a considerable degree open ended, based on 'cost plus' pricing with only limited time spent negotiating various terms and conditions in advance. As a planning manager in Shire 2 explained: 'at the moment we just agree a price for the week for the child and that is it essentially'. Similarly, in Metro 1, 'we pay £400 a week or something to the organisation but we don't know what we're getting for our money...we don't have a contracting framework that makes us feel like we're in control of the costs, or the standards' (placement officer).

In most cases, contract monitoring was generally limited, described as 'ad hoc' (disability manager, Shire 3) or even 'haphazard' (resource manager, Unitary 1). A major difficulty with monitoring was the cost of conducting regular visits to homes, especially those located 'out of area'. A further problem was the lack of clarity on the part of visiting field social workers over what the contract monitoring task actually involved. As a development officer in Shire 2 explained: 'we rely on the social worker when they go to the review [of a child's care plan] but, I suppose, they go to the review with a different intention really. And that is, "Is it working for the child"... I don't think staff go with a monitoring/quality assurance perspective'.

The above problems were partly caused by the fact that few authorities had invested in contract management systems. The majority relied heavily on, often over-worked, fieldwork staff with little specific training or experience (SSI 1995). While in some cases there was additional support from in-house resource managers, only one authority (London 3) had set up a dedicated children's contract unit. According to the contracts manager, this had occurred because the authority was 'getting stung, left, right and centre' as social workers, 'who are not very good at negotiating on money' agreed the prices and terms dictated by providers.

The fact that few authorities had invested in management systems for

contracting probably meant that transaction costs were low in practice. In some cases – especially the smaller authorities – the turnover of external placements was simply too small to justify investment in management (see table 1). More general was the view that the ambiguous technology of children's services made it hard to write and monitor contracts. As a planning officer in Metro 3 suggested, because 'you are never going to have a perfect contract' there would always be 'the trust element in it'. Partly for these reasons, transaction costs remained low. At the same time, however, the relationship between this under-developed purchasing function and the existence of informational losses noted in the previous section also seemed clear.

New developments in commissioning

In a majority of cases, the costs associated with the lack of contract control were recognized and had led to attempts to improve management. Seven authorities had plans to involve trained contracts staffs in children's services. One of the most extreme examples of this was Metro 1 which had (after the research period) set up a 'tendering unit' and where, according to one informant, 'Field social workers' latitude for deciding and monitoring contracts is significantly being eroded'.

A more pertinent development was the way a number of authorities had moved towards developing new contracts, setting out prices and quality standards through 'pre-placement agreements' (Support Force 1995) with a select number of 'approved' or 'accredited' providers. The chief means of pursuing this goal was through inter-authority co-operation around regional consortia led by representatives of the Association of Directors of Social Services (ADSS). Nine of the twelve case authorities were actively contributing to the activities of four consortia in London, the North West, the West Midlands and Thames-Anglia regions. A common aim was to develop standard contracts and region-wide directories of accredited providers. For example, in the West Midlands, the intention was to build up an 'approved list' of over 140 providers 'regularly used' by local social services departments (Director, Shire 1). Such developments were motivated both by a desire to control price inflation and to raise standards through longer-term 'partnerships' between purchasers and providers. As a data-base manager in London explained: 'The idea is that we should stop homes charging different prices to different boroughs...that London uses its weight, both to control prices but also, perhaps more importantly, to raise standards'.

Although it is too early to make a full assessment, it is likely that these improvements in contract management will have a positive impact. Over time they could lead to a reduction in the informational losses noted above. However it is also clear that they will involve a substantial rise in transaction costs. Even if greater co-operation through consortia does yield some economies of scale, the costs involved in setting up contract units,

accreditation of providers and monitoring are likely to be high for most authorities.

MARKETS AND POLICY GOALS IN CHILDREN'S SERVICES

Now that some assessment has been made of market efficiency it is important to consider the impact on specific policy goals of children's services. That is, in relation to the three areas mentioned above: localized placements, safeguards and a 'matching' of needs and resources.

Localized provision

The general picture which emerged from the study was that there was often a contradiction between the policy goal of placing children close to their local community and the decision to contract out. With the exception of Metro 2 (which had set up block contracts with a local voluntary provider), all twelve case authorities were purchasing either all or the majority of services from providers located outside their own boundaries in 'out of area' placements. Even the larger authorities found themselves placing young people 'all over the universe' (placement officer, Shire 3). One outcome of this was that greater distances between social workers and clients made the task of monitoring and progressing individual care plans increasingly difficult. Not only did this mean a higher likelihood of 'drift' but, in some cases, providers were also 'dictating what the care plan should be for that particular child rather than the social workers dictating to them after some negotiation' (team manager, Metro 3).

The necessity to place out of area was due largely to deficiencies both in quantity and quality of independent sector provision of residential care in many areas. Of the twelve case authorities, three had no independent provision in their area, while three others (including Metro 1, with 76 external placements) had only one local provider (see table 1). In England as a whole, 35 local authorities had no independent sector homes located within their boundaries, while 27 had only one establishment (Department of Health 1997b). By contrast, there were some areas with a substantial concentration of independent sector provision. For example, Shropshire had 16 independent sector homes and Kent 31 (Department of Health 1997b).

These difficulties with out of area placements led to growing concern amongst professionals and politicians across the case authorities. Typical of many accounts was that of a resource manager in Shire 3 who explained how: 'we desperately don't want to send kids out of the county. We want to keep kids within Shire 3. It's far better. Not just financially, but for integration and contact with family.'

These anxieties had led some authorities to seek ways of reducing the number of out of area placements. One strategy (noted in eight cases) was to establish gate-keeping panels in order to ration external placements and use them only as a last resort. In addition, six authorities also had plans to develop in-house alternatives to external provision, to 'bring the children

back in borough as soon as is practicable' (director, Unitary 3). Examples of this included attempts to increase choice by developing the specialization of in-house residential services (in Shire 2, Metro 2 and London 2) and a variety of projects, sometimes involving family placement, designed to 're-settle' young people back into the local community (Metro 2). A linked initiative, in five authorities, saw attempts to pool inter-agency resources (between education health and social services) in order to reduce the necessity for out of area placements.

The control of external placements

In this section we consider whether safeguards for children were more or less effective in external placements than in local authority provision. This was hard to evaluate given the contrasting views of informants. A minority expressed the view that safeguards were no better or worse than with in-house services. According to the director of London 3: 'I would simply say, when we ran our own homes, were the kids any better off than they are now? I think the answer is "no, they were not"'. In contrast, a more generally held opinion was that, while monitoring of in-house placements was by no means fail safe, it was less problematic than when children were placed externally. As a resource manager in Metro 1 suggested:

I am not saying local authority provision is perfect...but I think that this is a much more tightly managed situation with team managers managing unit managers, who are accountable to service managers. The hierarchy procedure is broken if it goes out of county placement, you break that 'chain of command' almost. And you are limiting the amount of whistle blowing that can go on.

In a similar vein the director of Metro 3 expressed her anxiety about the fact that 'whilst I can go and visit a [local authority run] children's home at 6 o'clock in the morning... I can't do that if the children are in Wales, or Kent'.

The task of ensuring safeguards in external placements was thought to be problematic for two main reasons. Firstly, there was the question of how far it was possible to obtain adequate information prior to making a placement. As noted above, the market for residential care was characterized by serious information deficiencies, especially concerning the quality of provision. This was exaggerated by the lack of information data-bases held by authorities on providers (with the exception of London 3) and by the often unsystematic way in which pre-checks on new providers were conducted. Generally, it was felt that acquiring reliable information on providers was an extremely arduous and time-consuming task, forcing field-work staffs to become 'amateur detectives and sleuths' (team manager, Metro 2). While the development of central gate-keeping panels had led to some improvement in lateral communication about providers within each

authority, the task of identifying possible risks remained a difficult and costly one.

Secondly, there was the difficulty of monitoring and control once a placement had been made. Whilst in the case of in-house services this can be achieved through a combination of visits by social workers and line managers (Kitchener *et al.* 1999), for external placements the chief mechanism available are statutory visits by fieldwork staffs. From the available evidence it is hard to say how frequently the case authorities were conducting these reviews. In those where panels had been set up, it was claimed by management that all reviews were conducted because placements were 'time limited' and had to be discussed at panel. At the same time, other informants in these cases admitted that visits and reviews were not always conducted due to resource constraints. As a field work manager in Shire 3 explained:

...obviously if we have only got one or two children in residential units at some distance, the frequency of visiting and the amount of people going in and picking up any duff dealings is less than we would otherwise have at our own residential units.

The impression that the review process for out of area placements is less than satisfactory is also borne out by a recent survey conducted by the SSI of 130 authorities (Department of Health (internal report) 1997d). This found that only 26 per cent of authorities 'offered convincing responses on procedures to ensure that children were visited according to regulation...'.

Currently it is difficult to assess whether safeguards are more or less adequate when young people are placed externally. What is clear however, is that this has become a source of growing concern for many practitioners. By contrast to in-house services, it was felt that gaining the right quantity and quality of information on such placements in order to ensure safeguards was both difficult and costly.

Matching needs and services

The final issue concerns the extent to which the use of markets has led to any significant improvement in the extent to which there is a 'matching' of needs and services by departments.

There was some evidence that in all the case authorities, a varying proportion of total external placements were made in a planned and considered way to try and meet the assessed needs of certain client groups. Although hard to generalize, often this meant 'profound needs' in areas such as learning disability, therapeutic care for 'challenging' behaviour and, increasingly, residential with education support. Such needs required highly specialist services in low volumes, which it was not cost effective for the majority of local authorities to provide for themselves.

All this does suggest that in some instances external markets were used to further policy goals of meeting needs. However, there was also much

evidence to show that, overall, external provision was being used in a far less proactive way. This was indicated by the large proportion of placements, even in the larger authorities, that were 'unplanned' or made under emergency conditions. These were either as the result of over-spill from own provision or as a result of the perceived 'failure' of in-house services. As the AD children and families at Shire 3 explained: 'one of the things that happens is that the children get 'bounced' into external provision because at the moment when they need a bed we don't have one internally... So we don't necessarily have the opportunity to assess the right placement for them...'.

In all twelve case authorities a large proportion of placements, in some the majority, were made under emergency conditions. This, as one observer remarked, amounted to 'distress purchasing', using the independent sector not to meet needs but rather 'buying tolerance, "Friday afternoon who is not going to raise questions?"' (West Midlands ADSS Representative).

This finding suggests that markets were not always used in such a way as to match needs and services. Often residential care provided by the independent sector was used in the same way as with in-house services, as a 'last resort' service under emergency conditions rather than as a positive choice. This is linked, of course, to the wider problems noted above relating to the lack of a clear strategy and uncertainty over the use of residential care.

CONCLUSION

The aim of this concluding section is to address four main issues. Firstly, there is the question of how far the market for children's residential care in England and Wales was both 'efficient' and compatible with key policy goals. Secondly, there is the wider issue of whether markets are an 'appropriate' mechanism for co-ordinating the delivery of services in this area. Thirdly, we assess the prospects for the development of alternative modes of governance – such as networks – in children's services. Finally, we consider the main implications of our findings for practitioners and policy makers.

The first aim is to consider how well markets have worked in children's residential care. Based on a sample of twelve authorities, evidence was found that the market has been problematic, both in economic and policy terms. On the question of market efficiency, it was noted how a number of factors – the mismatch between demand and supply, deficiencies in information and the under-developed purchasing function – had all led to rising costs for purchasing authorities. It was also shown how, on balance, the increased reliance on external provision had interfered with the attainment of key policy goals. Although the use of external markets had increased choice and allowed some authorities to 'match' needs and services, this was achieved at a high price. One problem was that contracting out tended to exaggerate problems of control and surveillance. Even more serious was

the difficulty of reconciling the need to contract out provision with a locally based service. As we saw, the majority of external placements in the case authorities were made out of area. This fact helped to increase the risk of drift in care plans and 'discontinuity in relationships with clients at critical stages' (Jones and Bilton 1994, p. 55; Department of Health 1997c).

These findings have a direct implication for our second main concern about the 'appropriateness' of competitive markets in children's services. At face value, the evidence offers strong support for the argument that a 'contract culture' is unsuitable in this sector (Walby 1993; Jones and Bilton 1994; SSI 1996). However, as Osborne (1997, p. 318) reminds us, when looking at quasi-markets, 'the task of evaluation is one begun, not completed'. There remains an important question of how far the difficulties encountered were short term or transitional. It could be argued, for example, that problems were more a symptom of the early development of markets and the inexperience of practitioners than the result of a fundamental misfit between policy goals and governance structures.

In support of the view that problems encountered with markets are only transitional, a number of points can be made. It might be argued, for instance, that new commissioning arrangements and 'approved lists' (through consortia) will eventually help to reduce price inflation and information deficiencies. The new regional consortia may also lead to more effective joint working and risk sharing between purchasers and providers. This, in turn, could help combat opportunistic behaviour and increase the confidence of new providers who are planning to enter the market. Further support for this line of argument comes from recent developments in local authority adult services. In that sector, improvements in contract management and the supply of specialized provision have led to a steady reduction in the costs of using the market (Means and Smith 1998; Wistow and Hardy 1999).

The above points suggest that the market may operate more efficiently in future. However, there is also much evidence that points in the opposite direction, to rising costs. One factor is the high cost of contract specification, monitoring and ensuring adequate control. More than in other professional services, 'the nature of service and product complexity' in children's residential care will continue to produce 'difficulties that arise in writing and monitoring contracts' (Walsh 1995, pp. 29–30). Although the new commissioning arrangements mentioned above could help, it is also clear that they, too, will involve a significant rise in transaction costs. Even more serious than this are the obstacles to market development – notably the high entry costs and continued purchaser uncertainty over the demand for residential care. There are few signs that these barriers will be overcome in the near future. This is made worse by the nature of demand for children's residential care – highly specialized, low volume and with limited repeat business. Under these conditions it is unlikely that appropriately specialized, local markets can ever be sustained economically in all parts of

England and Wales. This, of course, is not to suggest that these problems are unique to children's services (Means and Smith 1998), only that they appear to be especially serious in this area.

The conclusion we might draw from this is that, while there is much potential to reduce costs, competitive markets alone are unlikely to be an appropriate governance structure for children's residential care. Not only does the reliance on markets exacerbate existing problems facing local authorities (such as how to ensure adequate safeguards for young people placed away from home), but it also creates new ones. An example of the latter is the incompatibility (in almost all cases) between a decision to contract out a service and the policy goal of placing young people close to their own community.

The third aim of this concluding section is to consider what, if any, alternative governance structures are likely to emerge in this sector. As was hinted at above, both policy makers and academics have begun to argue for the development of 'obligational' contractual relations in professional services (Lewis *et al.* 1996). According to Wistow *et al.* (1996, p. 171), for example:

...neither the pure market nor pure hierarchy is an appropriate governance structure for the successful operation of the mixed economy of social care. Instead, some intermediate form of quasi market (embedded in social networks) where relationships are more integrated and collaborative appears more desirable.

Many of the reasons given for moving towards a kind of 'relational' contracting in adult services – poor co-ordination, information deficiencies and transactions costs – apply equally to children's services. It is therefore no great surprise to find that the Department of Health (Support Force 1995) have already begun to promote this idea of relational contracting.

How likely is it though that network-like relationships will emerge and remain stable in this sector? From our own research it was possible to identify signs of movement in this direction, but also strong indications that such change will be difficult to achieve. On the positive side, it was clear that a number of developments were bringing some local authorities towards more relationship based contracting. Most obviously, a small number had entered into block contracts with private and voluntary organizations as a method of reducing uncertainty. In addition to this, a larger number of authorities were participating in regional consortia. One of the aims of these consortia was to encourage greater joint working between purchasers and an 'approved list' of providers.

Against this are a number of obstacles to the formation of long-term, obligational contracts in children's services. The most serious is the way that the authorities will continue to face pressure to rely heavily on spot contracts. One reason for this is that, by allowing purchasers to 'shop around' for low cost providers in the short term, spot contracts can be used

to drive down prices (Means and Smith 1998). As Flynn *et al.* (1996, p. 546) suggest, there may be a 'fundamental contradiction between the pressure to seek collaboration and an infrastructure designed to stimulate competition'. In addition to this, the characteristics of demand for children's residential care will also make spot contracts a favoured option. In particular, the fact that most authorities purchase infrequently and in low volumes (Simm 1995) will inevitably work against block contracting, making it too expensive for all but the largest users. Of course, this is not to argue that it will be impossible to develop high trust relationships between purchasers and providers in spot markets. Evidence from the private sector suggests that even in fast moving, highly competitive markets such as textiles, socially embedded relationships that limit opportunistic behaviour can emerge (Uzzi 1996). What we do argue however is that relational contracts are both hard to establish in spot markets and even more difficult to sustain over time (Ring and van de Ven 1994).

The preceding discussion indicates how a shift towards a network mode of governance, while desirable, may also be hard to achieve in this sector. One consequence of this is that, as local authorities extend their use of external provision they may continue to face high transaction costs. Another possibility is that they will seek to reduce these costs by purchasing less from the independent sector and developing 'in-house' alternatives. As we saw above, many authorities had already established more rigorous gate-keeping systems to reduce expenditure, while others were developing new services. In a context of rising costs and uncertainty about the future effectiveness of markets, there are specific benefits of continuing to rely on bureaucratically managed provision. One is the greater possibility of 'matching' assessed needs with *local* services. Another is the greater ease of monitoring, contract specification and control when children are placed locally. Although serious problems remain with local authority residential care (Berridge and Brodie 1997), in the context of market uncertainty, these services may continue to be attractive. As a co-ordinator for the North West Consortia explained, 'the reality is that most local authorities don't want to place outside their own resources. . .in the main, the authorities are working to stop it'.

The wider significance of this situation is that it appears to contradict many of the dominant assumptions of recent public management literature. An argument which is often made is that public services managed through vertically integrated hierarchies will increasingly become a thing of the past (Ferlie *et al.* 1996; Rhodes 1997). Leach *et al.* (1994, p. 2), for example, suggest that the model of "'traditional bureaucratic" authority. . .is no longer appropriate and is best seen as the historical starting-point from which radical change has become necessary'. The 'failure' of competitive markets, it is argued, is more likely to lead to a 'third way' of collaborative networks based on high trust relationships between purchasers and providers (Flynn *et al.* 1996). While these assertions have some validity, especially in areas

such as health care (Harrison 1997), the example of children's residential care seems to question how far they are universally applicable.

The final issue to be considered is what implications the findings discussed above have for policy in children's services. Our general conclusion is that, in the absence of clear evidence of the effectiveness of market mechanisms, the government should continue to base decisions around future organization and management of public services on an analysis of 'what works' (Milne 1997). This is not to say that further externalization should be avoided completely. The use of independent sector provision can help to expand choice and raise the quality of services (Support Force 1995). It is also true that many authorities, following local government reorganization, are now too small to provide a full range of social care services internally (Craig and Manthorpe 1998). However, it is clear that a more general shift from bureaucracy to markets in this sector would be problematic. A preferable course to radical change therefore, would be a more considered orientation towards market development in future. This would require policies which emphasize the possibility of improving the quality and effectiveness of residential services, both through the use of contracts and through the further development and reorganization of local authorities' own services.

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PLANNING, PERFORMANCE AND PUBLIC SERVICES

GEORGE BOYNE

The policies of the Labour government in the UK place renewed emphasis on rational planning in the public sector. The government's assumption is that this approach to decision making will lead to improvements in performance. Although the theoretical costs and benefits of rational planning have been widely debated in the public administration literature, no systematic empirical research on the impact of planning on the performance of public organizations has been conducted. By contrast, the relationship between rational planning and the success of private firms has been investigated extensively. A meta-analysis and critical review of this evidence suggests that planning is generally associated with superior performance. However, important questions remain unresolved. For example, under what circumstances does planning work best, and which elements of planning are most important? Therefore, although it may be appropriate to encourage public agencies to consider carefully the potential benefits of planning, rational processes should not be imposed upon them.

During the 1960s and 1970s, there was a wide-ranging academic debate on the relative merits of rationalism and incrementalism in public agencies. The issue was whether decisions should be made by following comprehensive processes of rational planning or by 'muddling through' (Gawthrop 1970; Jenkins 1978; Leach 1982; Lindblom 1979). In the last two decades, however, this question seems to have fallen off the academic agenda. The major research issues have centred on the external environment of public organizations rather than their internal management processes. In particular, the focus has been on the impact of markets and competition on public services (Walsh 1995). The potential effects of planning processes on organizational performance appear to have been neglected.

Recent developments in the academic and practitioner communities in the UK suggest that an interest in the importance of models of policy formulation is re-emerging. First, the partial replacement of public administration by public management has influenced the academic agenda (Boyne 1996). Researchers in the public management field are drawing strongly on mainstream management research, much of which has been concerned with the internal politics and processes of private sector organizations. Indeed, such work often refers to public administration classics such as Lindblom

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(1959) and Allison (1971). Ironically, then, public management researchers are revisiting their own intellectual history, albeit through an indirect route.

Secondly, the policies of the Labour government elected in 1997 have placed renewed emphasis on the role of rational planning in public sector organizations. This is part of Labour's 'Third Way' which includes performance targets for public services. Labour ministers argue that 'to make sure the targets work, we will set in place new processes to deliver continuous improvements, just as the most successful private sector companies do' (Byers *et al.* 1998, p. 10). Rational planning can be seen as part of a wider shift towards some of the traditional bureaucratic features of public service provision (Boyne 1998a). Indeed, Starbuck (1985, p. 343) argues that 'explicit rationality is the essence of bureaucracy'. Prominent examples of the adoption of forward planning include the change from yearly to three-yearly contracts between purchasers and providers in the health service, and the attempt to set targets for public spending over three years. Labour's concern to secure 'joined-up government' also requires different agencies to co-ordinate and plan their activities. The most advanced example of planning, and potentially the most significant, is the new Best Value regime in local government. This involves the formal specification of objectives and performance targets over a five-year period, the annual publication of performance plans, and the implementation of action plans that are intended to improve the standard of local services (Boyne 1999).

The aim of this article is to assess the likelihood that planning will produce the positive results that the Labour government anticipates. To what extent will planning lead to better organizational performance in the public sector? The first part of the paper outlines the nature of rational planning, and briefly reviews the theoretical arguments for and against this approach to decision making. Rational planning is one of many approaches to the formulation of organizational strategies (Whittington 1993). What basis is there for the assumption that it is a route to success? The second part of the paper critically examines the empirical evidence on the link between planning and organizational performance. Although the role of planning has been discussed at length in the public administration literature, no systematic research has been conducted on the impact of planning on public sector efficiency or effectiveness. By contrast, over fifty studies of the impact of planning on performance in the private sector have been published. The results of these studies are therefore evaluated in order to draw lessons on the return to rational planning in public agencies.

I THEORIES OF PLANNING

(i) The concept of planning

Planning can be defined broadly as an attempt to influence the future by forecasting changes in the organization and its environment, setting objectives, and developing strategies for the achievement of these objectives (Capon *et al.* 1987; Wildavsky 1973). To some extent, all organizations

engage in planning, even if only loosely and intuitively. By contrast *rational* planning is intended to be explicit, rigorous and systematic; it involves the application of scientific methods to policy problems (Friedman 1987; van Gunsteren 1976). Organizational strategies are based not on incremental drift or leaps in the dark, but on logical techniques and processes (Mintzberg 1994).

At the core of planning theory is the belief that *reason* can be used to *control* the future behaviour and success of an organization. As Whittington (1993, p. 11) argues, in the rational approach 'notions of strategy formulation are informed by the economics of eighteenth-century Scotland', and 'assumptions about strategic implementation appeal back to the militaristic ideals of Ancient Greece'. The concept of rational planning can be subdivided into a number of dimensions, each of which may have a separate effect on performance. However, as Veliyath and Shortell (1993, p. 361) argue, in the planning literature 'there is no clear consensus as to what these dimensions are'. In an attempt to clarify this issue, the following dimensions have been distilled from the theoretical sections of papers on the empirical relationship between planning and performance. It should be noted that this classification may lend a false coherence to the literature on planning. The emphasis given to different dimensions has varied over time, and continues to vary between authors. Furthermore, as will be seen below, by no means all of these aspects of planning are operationalized frequently in the empirical studies.

- (a) Formality – the extent to which objectives are stated explicitly, and strategies expressed in a written document. This is widely viewed as an essential feature of planning. For example, in Capon *et al.*'s (1987, p. 47) research, 'for a firm, to be classified as one that planned at all, a physical document had to be prepared'. Formality also implies that the 'procedures used are prescribed . . . (and) steps in the process are often scheduled and progress is controlled against the resulting timetable' (Grinyer and Norburn 1975, p. 20)
- (b) Completeness – whether all stages of the planning cycle are undertaken: definition of desired outcomes, forecasting of external and organizational events, generation of alternative strategies, evaluation of strategies and monitoring of results. These stages correspond closely to traditional definitions of rational decision making in the public sector (Leach 1982; Forester 1984).
- (c) Intensity – the level of resources committed to each stage of the planning cycle. As Ansoff *et al.* (1970, p. 2) argue, 'the costs of planning are very tangible and often sizeable, particularly if top management is providing the involvement and support required by an active planning process'.
- (d) Quality – whether each stage of the cycle is undertaken to a satisfac-

tory standard (for example the accuracy of forecasts, the validity of indicators for monitoring outcomes).

- (e) Comprehensiveness – are all organizational functions included in the plan, or is the coverage selective? Miller and Cardinal (1994, p. 1651) argue that 'a major purpose of strategic planning is to help managers integrate and control various parts of a firm'.
- (f) Commitment – is planning taken seriously by staff in the organization, or is it simply a remote ritual of concern only to the planners? According to Hopkins and Hopkins (1997, p. 637), 'planning has no value in and of itself, but takes on value only as committed people infuse it with energy'.
- (g) Implementation – the extent to which the plan is actually put into practice. Two organizations may behave in exactly the same way in the development of their plans, but differences in implementation could lead to very different results.
- (h) Flexibility – the extent to which plans are revised regularly and adapted to reflect new circumstances, rather than set in stone for the whole period covered by the initial version of the plan. At the extreme, flexibility would be indistinguishable from unplanned opportunism.

It is to the theoretical effects of such rational planning processes that the discussion now turns.

(ii) Arguments for and against rational planning

Planning is believed to lead to positive organizational outcomes for a number of reasons (see Camillus 1975; Capon *et al.* 1987; Kay 1995). Rational planning forces leaders to clarify their objectives, and thereby provides a framework for allocating resources in line with the purposes of the organization. Furthermore, the objectives can be communicated to all staff who can then channel their efforts accordingly. The process of planning allows external events and internal changes to be anticipated and brought into alignment. The potential for 'panic reactions' to unforeseen circumstances is thereby reduced. It has been argued that the need for long-term planning is especially great in decisions that involve capital investment (Kukalis 1991), and when many circumstances in an organization's environment are changing rapidly (Dror 1973). By contrast, incrementalism may suffice in a simple and stable environment. Rational planning also allows decisions between alternative strategies to be taken logically on the basis of comprehensive information, rather than intuitively on the basis of incomplete or inaccurate data. Finally, planning contributes to the integration of the diverse activities in an organization. Separate functions can be combined and co-ordinated into a corporate whole, instead of working at cross-purposes.

In sum, planning supposedly brings logic, unity and synergy to decision making, all of which are believed to stimulate superior performance. The

critics of rational planning, however, dispute all of these points. Arguments against planning fall into two categories: that it cannot be done because the prescriptions of planning theorists are impossible to follow in real organizations; and even if a rational planning system can be implemented, it will have negative effects on performance.

The extensive critique of rational decision making in public agencies has concentrated on two main issues. First, planning poses many technical problems: relevant data are difficult to obtain and even more difficult to analyse. Thus planning is defeated by the intellectual limitations of the planners. This criticism reflects Simon's (1961, p. xxiv) argument that decision makers must 'satisfice because they have not the wits to maximize'. Secondly, planning is politically difficult: the effective development and enforcement of a plan implies a concentration of power that may be inconsistent with the realities of organizational life. As Wildavsky (1973, p. 132) argues 'there can be no planning without the ability to cause other people to act differently than they would otherwise act. Planning assumes power. Planning is politics'. Rational planning may require that a single view of objectives and strategies for their achievement can be embraced by the whole organization. However, most organizations resemble a set of shifting coalitions rather than a military dictatorship. Lindblom (1959) argues that the test of a good policy is, therefore, whether it commands sufficient support to be adopted, not whether it will actually achieve some grand objective.

Criticisms of the effects of planning systems that are actually implemented are too numerous to cover here (see Camillus 1975, and Mintzberg 1994 for a summary). Two important sources will be reviewed briefly in order to give a flavour of the arguments. In a widely cited study, Quinn (1980) argues that the strategies of successful organizations emerge from incremental rather than rational processes. Even when planning procedures are followed, they are of little relevance to the progress of the organization: 'most important strategic decisions seem to be made outside the formal planning structure, even in organizations with well accepted planning cultures' (Quinn 1980, p. 2). Thus planning may be an expensive distraction from the real events of strategy formation – a burden rather than a benefit. Furthermore, in the organizations studied by Quinn, 'successful executives announced relatively few goals to their organizations. These were frequently broad and general, and only rarely were they quantitative or measurably precise' (1980, p. 66). Although these criticisms of planning are sharp, it should be noted that they are drawn from a very weak methodological base. Quinn presents no evidence on the performance of his small ($n = 9$) sample of organizations, and does not compare the decision processes in these organizations with those in a control group. For all we know, unsuccessful organizations may formulate their strategies in exactly the same way as Quinn's supposedly successful organizations. In short, his

criticisms of rational planning amount to little more than interesting assertions.

In a similar vein, Brunsson (1982) argues that rational analysis is an impediment to good performance. The process of planning can destabilize an organization by creating uncertainty and conflict, which in turn reduces the motivation and commitment of staff. Brunsson (1982, p. 33) concludes that 'effective decision processes break nearly all the rules for rational decision making: few alternatives should be analysed, only positive consequences of the chosen actions should be considered, and objectives should not be formulated in advance'. However, in direct contrast to Brunsson's arguments, subsequent case studies of organizational behaviour suggest that 'formal analysis acts as a kind of glue within the social interactive processes of generating organizational commitment and ensuring action' (Langley 1989, p. 626).

In sum, a range of contradictory theoretical arguments on the costs and benefits of rational planning can be identified. It remains to be determined whether the results of empirical studies provide a clearer picture of the relationship between planning and performance.

II EMPIRICAL EVIDENCE ON PLANNING AND ORGANIZATIONAL PERFORMANCE

The literature on planning in the public sector is largely concerned with the obstacles to rational decision making (Downs and Larkey 1986; Rhodes 1979; Sharkansky 1970). For example, during the 1970s and early 1980s, there were many studies of a major attempt at rational planning in local government, the 'corporate revolution', but none of these analysed its impact on performance (Gray 1982). More recent studies of planning in the public sector have described the characteristics of strategic processes (Collinge and Leach 1995; Stokes-Berry and Wechsler 1995) or have prescribed particular methods of strategic planning (Bryson 1995; Caulfield and Schultz 1989; Lavery and Hume 1991). The latter studies make the implicit but unsubstantiated assumption that planning works.

It is not, however, necessary to rely on theoretical arguments in an assessment of the effects of rational planning. Over the past thirty years, numerous studies of the empirical relationship between planning and performance in the private sector have been published (for critical summaries of the research procedures in the empirical studies see Armstrong 1982; Boyd 1991; Greenley 1986; Hofer 1976; Lorange 1979; Miller and Cardinal 1994; Shrader *et al.* 1984). This work is a strand of the literature on strategic management (see Whipp (1996) for a review of the field; and Smith Ring and Perry (1985) for an application of strategic management concepts to public organizations). The empirical research seeks to assess whether there is a significant statistical link between planning and the commercial success of firms (for example their profitability, market share and sales growth). Only one study has examined the relationship between planning and perform-

ance in a non-profit organization. Odom and Boxx (1988) analyse the impact of planning sophistication on the size and revenues of Baptist churches in the USA.

The relevant studies, their results and methodological characteristics are summarized in table 1. The coverage of the empirical research on planning is intended to be comprehensive and complete, but not every published study is included in the table. First, if two or more publications are based substantially on the same data set and present largely the same results, only one is included (Karger and Malik 1975 and Malik and Karger 1975; Ramanujam *et al.* 1986 and Ramanujam and Venkatraman 1987b; Rhyne 1986, 1987). Secondly, some studies show only the results of tests that produced significant results (Ramanujam and Venkatraman 1987a). As the total number of tests is unknown, these have also been excluded from the analysis because the published evidence may provide an unrepresentative picture of the relationship between planning and performance.

Only one study was considered for exclusion on the grounds of overt bias by the authors. Karger and Malik (1975, p. 60) admit that their 'research was motivated, in part, by the desire to so strongly establish the positive benefits of planning that the practice of planning in industrial firms would increase significantly'. In the event, the support for planning in this study was only slightly above average, so it was retained in the review of the evidence.

The first two columns of table 1 show the percentage of tests in each study that support a statistically significant positive relationship between planning and performance, and the total number of tests conducted. A larger number of tests usually stems from the use of multiple measures of planning and performance, or several sub-samples in the data set (several different industries). The statistical significance levels in the original studies were used in calculating the percentage support for planning (usually the 0.05 level, but some used 0.10). It was, in any case, not possible to recalculate the significance of the empirical results in most studies because the standard errors of the coefficients for the planning variables were not published. The general pattern of the results shown in table 1 can be summarized by taking the mean of the percentage support for planning across all the studies. This procedure attaches the same weight to every study (regardless of whether it contains one or a hundred tests), and thereby avoids undue importance being attached to studies that may have idiosyncratic data sets or methods.

The conclusion to be drawn from this meta-analytic method can be briefly stated: a majority of the evidence shows that planning works. The mean level of support for a positive impact of planning is 55 per cent. This is far higher than would be likely to occur by chance alone. On a random basis, even if there were no real relationship between planning and performance, around 5–10 per cent of the planning effects might have been significantly positive. Furthermore, even if the actual effects of planning were univer-

sally positive, some tests would fail to show this because of conceptual and practical problems (for example weak measures of the theoretical constructs and errors in the data used). Therefore, although the strength of the evidence is not overwhelming, it provides a fairly solid empirical foundation for arguments that planning leads to organizational success. Furthermore, the lag structure in many of the empirical tests is consistent with the view that planning is not simply *associated with* but is *causally prior to* performance. It is also worth noting that the only evidence on the non-profit sector shows an above average level of support for planning (Odom and Boxx 1988).

At this point, however, it is important to investigate the potentially confounding effects of some methodological problems in the empirical tests. First, the results may reflect the impact of variations in sample size across the studies. In a larger sample, it is easier to find effects that may be statistically significant but substantively trivial. It is possible, therefore, that studies which appear to support the benefits of planning are based on disproportionately large samples. In order to examine this issue, the studies were divided into groups above and below the median sample size. The results in each group were virtually identical, so it can be concluded that the positive planning effects are not attributable to sample size bias.

Secondly, the performance of private organizations is influenced by a variety of external and internal variables (Lenz 1981; Capon *et al.* 1990; Hansen and Wernerfelt 1989), so it is important to take account of these when estimating the impact of planning. For example, profitability varies across industries, and large firms may be able to exploit economies of scale or exercise monopoly power and thereby secure higher profits. If planning is more prevalent in profitable industries or larger firms, then its impact on performance may be overestimated in studies that fail to control for such variables. In order to investigate this issue, the studies were again divided into two groups: those that contained controls for both external and internal influences on performance, and those that controlled for neither type of variable (see table 1). Once more, the results were similar in the two groups. Indeed, the results were more favourable to planning in the studies that controlled for both external and internal variables. Therefore it can be concluded that the apparent impact of planning is not attributable to a failure to hold other factors constant.

The best available evidence, then, is broadly consistent with the view that planning is generally associated with superior performance in the private sector. In this context, previous conclusions that the impact of planning is tenuous or unproven seem to be mistaken (Hofer 1976; Lorange 1979; Shrader *et al.* 1984; Pearce, Freeman and Robinson 1987). Similarly, claims that 'planning fails everywhere it has been tried' (Wildavsky 1973, p. 128) and that it 'certainly does not pay in general' (Mintzberg 1994, p. 94) should be dismissed.

Although the broad direction of the impact of planning on performance

TABLE 1 *Empirical studies of planning and performance*

Study	Support for planning (%)	Number of tests	Sample size	External controls	Internal controls	Measures of planning (1)
Ansoff <i>et al.</i> 1970	54	24	93	No	No	A,B
Gershefski 1970	100	6	323	No	No	A,B
Thune & House 1970	75	8	36	Yes	No	A,B
Herold 1972	100	4	10	Yes	No	A,B ¹
Rue & Fulmer 1973	50	16	386	Yes	No	A,H
Grinyer and Norburn 1975	0	5	21	No	No	A,B
Karger & Malik 1975	62	39	38	No	No	A,H
Burt 1978	100	6	14	No	No	A,B
Wood & Laforge 1979	100	4	41	Yes	No	A,E
Kudla 1980	4	181	129	Yes	No	A,B
Leontiades & Tezel 1980	0	5	61	No	No	D,F
Klein 1981	50	2	60	Yes	No	B,H
Robinson & Littlejohn 1981	100	3	67	No	No	A,B
Sapp & Seiler 1981	75	4	302	Yes	Yes	A,B,H
Jones 1982	100	1	69	No	No	A
Kudla & Cesta 1982	0	3	54	Yes	Yes	A,B
Robinson 1982	80	5	202	Yes	Yes	A,B,E
Robinson & Pearce 1983	0	8	50	Yes	No	A,B
Frederickson 1984	65	96	38	Yes	Yes	C,E
Frederickson & Mitchell 1984	1	96	27	Yes	Yes	C,E
Robinson <i>et al.</i> 1984	75	4	51	No	No	C,E
Acklesberg & Arlow 1985	42	26	135	Yes	No	A,B
Orpen 1985	83	12	58	Yes	No	A,B,C,F,H
Whitehead & Gup 1985	0	6	449	Yes	Yes	A,H
Bracker & Pearson 1986	50	6	188	Yes	Yes	A,B
Ramanujam <i>et al.</i> 1986	59	56	93	No	No	B,C,E,F
Rhyne 1986	90	10	89	Yes	No	A,F
Robinson <i>et al.</i> 1986	25	4	89	Yes	No	A,F
Capon <i>et al.</i> 1987	6	200	113	No	No	A,B,C
Gable and Topol 1987	0	2	179	No	No	A,B,H
Pearce <i>et al.</i> 1987	100	4	97	Yes	Yes	A,B,F
Bracker <i>et al.</i> 1988	75	4	73	Yes	No	A,B
Cragg and King 1988	33	3	179	Yes	Yes	A
Odom and Boxx 1988	75	4	175	Yes	No	A,B
Frederickson & Iaquanto 1989	50	4	45	Yes	Yes	B,E
Shrader <i>et al.</i> 1989	5	48	97	No	No	A,B
Kukalis, 1991	25	20	114	Yes	Yes	A,E,H
Powell, 1992	37	8	113	Yes	No	A,B
Gluck <i>et al.</i> 1993	50	2	89	Yes	Yes	B
Veliyath & Shortell 1993	20	5	406	No	No	A,B
Capon <i>et al.</i> 1994	100	8	112	Yes	Yes	A,B,C
McKiernan & Morris 1994	5	20	100	No	No	A,B
Priem <i>et al.</i> 1995	100	3	101	Yes	No	A,B
Powell 1994	75	32	113	Yes	Yes	A,B
Goll & Rasheed 1997	50	4	62	Yes	Yes	B
Hopkins & Hopkins 1997	100	1	112	Yes	Yes	A,C
Slevin & Covin 1997	100	2	111	Yes	Yes	A,B

Notes: Code for measures of planning. A = formality, B = completeness, C = Intensity, D = Quality, E = Comprehensiveness, F = Commitment, G = Implementation, H = Flexibility.

is fairly clear, the empirical studies have not yet answered some important questions. All of the following unresolved issues suggest that caution is necessary in extrapolating planning effects from the private to the public sector.

(a) Under what circumstances does planning work?

Much of the management literature emphasizes that the impact of particular strategies is contingent on the environmental context of the organization (McArthur and Nystrom 1991; Prescott 1986). Relevant aspects of the environment include *complexity* (the number of variables which influence a firm's performance), *dynamism* (the rate of change in these variables), *uncertainty* (whether the changes are predictable) and *munificence* (whether the environment is conducive to organizational growth). The moderating effect of such circumstances on the relationship between planning and organizational success is unclear. Some studies suggest that planning works best under conditions of stability (Capon *et al.* 1987; Frederickson 1984; Frederickson and Iaquinto 1989), whereas others imply that planning is more effective in an unstable environment (Glick *et al.* 1993; Goll and Rasheed 1997; Priem *et al.* 1995). If planning effects are contingent on contextual variables, then frameworks such as Best Value are unlikely to work equally well in all public organizations. For example, urban councils generally face more complex and dynamic environments than rural councils, because service needs tend to be more diverse and revenues less stable. Thus local authorities in circumstances that are favourable to planning may be more likely to find that Best Value processes lead to organizational success.

Rational planning may not only work better in some circumstances than others, but also help private firms to *escape* from hostile environments. As Capon *et al.* (1987, p. 290) argue, 'a key task of strategic planning at the corporate level is to decide what business to be in'. Such strategic decisions could involve deleting existing products, diversifying into new industries and relocating to another country or another continent. These options are unlikely to be available to most public sector agencies. Many have statutory obligations for service provision that cannot simply be dropped; bodies such as educational authorities lack the powers to diversify into the market for hospitals or hotels; and most organizations cover specific geographical jurisdictions. Thus, to the extent that rational planning is effective because it enables firms to swap difficult for easy environments, its impact on performance is likely to be stronger in the private than the public sector.

(b) Which elements of planning are most important?

As noted in section I above, at least eight dimensions of planning that may influence performance can be identified. However, the operationalization of planning in the empirical studies is generally narrow. Most measures of planning focus on formality and completeness. Only a minority cover intensity, comprehensiveness or flexibility, and the effects of quality, commitment and implementation are largely ignored (see final column in table 1).

Moreover, when several dimensions of planning are taken into account, they are usually conflated within a single variable, so their separate influences are unobservable. Rare exceptions are Acklesberg and Arlow (1985) who find that performance is related more strongly to the completeness than the formality of planning; and Ramanujam *et al.* (1986) whose results suggest that intensity is more important than comprehensiveness. As it stands, therefore, the empirical evidence suggests that rational planning *per se* is valuable, regardless of the resources allocated to it, the quality of the process, and the attitudes of staff. Indeed, the evidence is consistent with the view that planning works even if the plans are not implemented.

In the absence of more detailed studies, then, it is impossible to derive guidance on the elements of planning in the public sector that are likely to prove most effective. In other words, it is not clear why or how planning works. Further evidence on the effects of planning commitment would be especially relevant to the circumstances of public sector organizations. The managers of private firms who adopt planning tend to do so at their own discretion, and therefore can be expected to have some commitment to the process. By contrast, public organizations may have planning imposed upon them and therefore seek to avoid or undermine the relevant procedures. Professional groups, such as teachers and doctors, may be especially resistant to planning processes that threaten to undermine their autonomy. Thus it is possible that mandatory planning in public agencies would prove to be less successful than voluntary planning in private companies.

(c) How strong is the effect of planning?

This question concerns the extent of the improvement in performance that can be expected as a result of the adoption of rational decision making. Much of the empirical evidence consists of correlation coefficients that show the *closeness* of the statistical relationship between planning and performance but not the *strength*. Furthermore, numerous studies compare the performance of planners and non-planners. For example, Ansoff *et al.* (1970) find that the average performance of the former group is 8 per cent better than the latter. Perhaps less plausibly, other studies find that planning is associated with improvements in financial success of over 100 per cent (Gershefski 1970; Herold 1972; Thune and House 1970). However, this sharp distinction between planners and non-planners may have little relevance to contemporary public organizations, many of which already undertake some form of planning. For example, local councils in England and Wales produce education plans and social service plans. New regimes such as Best Value are therefore being added to existing planning systems, so their effects may be correspondingly weaker.

The introduction of further planning systems in the public sector raises another issue: are there diminishing returns to planning? The empirical studies of planning in the private sector suggest that performance improves

with the extent of planning, but is the improvement linear? There may be a point where further planning efforts yield smaller performance gains, or even result in 'paralysis by analysis' (Lenz and Lyles 1985). For example, resources previously committed to service provision may be diverted to planning, and planning staff may become a disproportionately large part of the organization.

(d) Which aspects of performance are affected by planning?

It has been widely argued that the financial measures used in most empirical studies fail to capture all the relevant aspects of organizational success in the private sector (Camillus 1975; Robinson *et al.* 1984; Wood and LaForge 1979). For example, what is the impact of rational planning on the social responsibilities of companies and the welfare of their workforces? By extension, even if planning leads to an improvement in public sector efficiency or formal effectiveness (for example more children are educated to a satisfactory standard), wider questions would still need to be answered. These include the impact of planning on the social equity and political accountability of public services. Criticisms of corporate planning in local government in the 1970s include a failure to involve politicians in decision making, and a neglect of the interests of disadvantaged groups (Clapham 1984; Cockburn 1977; Dearlove 1979). Such issues need to be considered in a comprehensive assessment of the impact of planning on public sector performance.

CONCLUSION

The return to planning poses important questions for the theory and practice of decision making in public agencies. What are the relative merits of incremental and rational comprehensive approaches to strategy formulation in principle, and what are their effects in practice? Although the traditional public administration literature has explored the first question at length, the second has been badly neglected. As a result, the empirical relationship between planning and performance in the public sector is unknown.

In an attempt to bridge this gap the extensive evidence on planning effects in the private sector was evaluated. The statistical results suggest that rational planning is generally associated with superior performance. This is consistent with Labour ministers' belief that they are simply asking public agencies to emulate the practices of successful private firms (Byers *et al.* 1998). Furthermore, the positive impact of planning does not appear to be a methodological artefact. Indeed, it has been argued that the most methodologically sophisticated studies find the strongest planning effects (Boyd 1991; Millar and Cardinal 1994). Thus it may be concluded that the renewed emphasis on planning in public agencies is more likely to have a positive than a negative impact on performance.

Beyond this general proposition, however, it is difficult to draw specific lessons from the evidence on planning in the private sector. The empirical

results are unclear on the circumstances that influence the success of planning, the elements of the planning process that are most important, and the extent of the improvement in performance that can be expected after the introduction of planning. Despite these ambiguities, there is one further important point to emerge from studies of the performance of private companies. Although planning is, on average, a contributor to organizational success, it is neither a necessary nor a sufficient condition for high performance. Some companies that are high performers do not use rational planning; and some that plan comprehensively are poor performers. The lesson may be that it is appropriate to encourage public organizations to consider the potential benefits of planning, but inappropriate to impose rational processes of policy formulation upon them.

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'WHAT COUNTS IS WHAT WORKS'? CONSTRUCTING EVALUATIONS OF MARKET MECHANISMS

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This paper draws on a study of the introduction of market testing in the UK civil service to explore ways in which managers involved in the implementation of the new policy constructed evaluations of its impact. It is structured around three arguments. The first concerns the problems of evaluating 'what works' in the multi-stakeholder, multi-goal context of public management. The research highlights a range of overlapping and sometimes conflicting evaluation criteria across different organizational and occupational groupings. The second argument explores the difficulties of evaluation in the context of shifting policy objectives and the dynamic nature of institutional change. The research shows how the practitioners involved shaped and reshaped their construction of events over time as unanticipated benefits and disbenefits became evident. It also suggests ways in which they responded to the changing policy context, constructing new rules and norms of action over time. The third argument concerns the different levels of analysis underpinning managers' constructions of 'efficiency' and 'effectiveness', and how these constructions were deployed as strategies of legitimization in shaping the process of institutional change.

The research on which this paper is based was part of the ESRC Whitehall Programme. The research examined the development of market testing and contracting in a range of government departments through case studies, each based on a block of civil service work that was subject to contract. We undertook some two dozen case studies in a sample of nine departments, selected to reflect different service categories and budgetary values. Earlier papers have reported on the origin and development of the market testing policy (Richards, Smith and Newman 1996), on the impact of the policy on civil service institutions (Newman, Richards and Smith 1998) and on theorizing the process of institutional change (Newman, Richards and Smith 2000). This paper focuses on emerging evaluations of market testing and contracting developed by actors involved in the process. The interviewees were all senior managers or policy shapers in a position to influence the institutional elaboration of norms about 'what works', and informal rules about appropriate actions: what March and Olsen term 'logics of appropriateness' (March and Olsen 1989). Their narratives are drawn from across the research project; quotations are used to illustrate key themes and

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issues and have not been attributed to individuals. As always with such a qualitative approach there are problems of generalizing from the data. However, the material suggests some of the ways in which actors constructed their reality and gave meaning to their world, and how these meanings shifted over time as they learned from their experience and responded to policy shifts.

THE QUESTION OF EVALUATION

As Walsh (1995) notes, there is relatively little systematic evaluation of the efficiency gains resulting from market reforms of public services. Although studies of CCT in local government suggest that there are substantial cost savings gained in the contracting out of simple, repetitive services, overall data on the impact of contracting is elusive. Walsh argues that 'It is well to be sceptical about the data on the efficiency of market mechanisms. The information is difficult to gather, and, in many cases, studies rely either on assertion, or on a survey of managers' perceptions' (1995, p. 231). Boyne's review of studies of service contracting in the USA argues that 'The methodological flaws in the empirical studies imply that public choice hypotheses on contracting are not directly supported or undermined by the empirical evidence. Rather they are, strictly speaking, untested' (1998, p. 22).

The evaluation of efficiency in public service reforms is problematic for at least three clusters of reasons: political, methodological and epistemological (Clarke 1998). *Political* influences occur both at macro and micro levels. At a macro level the New Right underpinnings of market-based reforms produced a strong ideological belief that markets were self-evidently more efficient than hierarchies, so despite the scale and scope of the reforms there has been little robust external scrutiny and evaluation. Politics also operates at the micro level of principal-agent relationships within government. Calculating cost savings is not an exact science; different elements can be included in, excluded from or moved between different accounting frameworks to meet the political imperatives within which public managers operate. As one of the service managers commented when asked about costs savings resulting from a particular market test, 'Do you want the official or the unofficial story?' This was not a case of deliberately 'cooking the books' but of tensions between the official view, which as loyal civil servants they felt obliged to give us, and their assessment of transaction and other costs 'hidden' by the way in which official data was gathered. The high political profile of the early rounds of market testing undoubtedly contributed to disjunctions between official and unofficial estimates of costs and savings.

The second set of issues concerns *methodological* problems. As Flynn and Williams note in their study of quasi-markets and contracting in health, 'the overall effect of these changes is difficult to assess, largely because of the confounding effect of concurrent financial, organizational and policy changes that make it impossible to isolate the specific features of quasi-

market competition' (1997, p. 6). In his discussion of evaluations of the reforms associated with the 'new public management', Pollitt (1995) similarly notes such problems of *attribution* which arise when other changes in the policy and administrative environment are occurring at the same time as a particular programme of reform. The introduction of market testing interacted with other shifts, notably the introduction of agency status and devolved management in the civil service. Pollitt also suggests that *benchmarking* the basic performance of an organization may also be problematic. In our case study sites the process of developing service specifications and costing activities often took place as a result of the new policy and data on past performance was not readily available. Pollitt goes on to discuss the problems of *assessing costs and benefits*, and the slippery nature of notions of 'transaction costs' which might include transitional (one-off) costs of implementation or take account of continuing costs, including opportunity costs. Finally, he raises the more fundamental issue of *selecting appropriate criteria* against which reforms might be evaluated. Evaluation against stated objectives alone might lead to unintended consequences being missed. This question was particularly important in the context of the introduction of market testing since the pattern of institutional change which resulted challenged many of the deeply embedded assumptions and values of civil service work.

The third cluster of issues underpinning problems of evaluation are *epistemological*. The analysis here stems from the significance of post-structuralist approaches within the social sciences – what Chaney (1996) terms the 'cultural turn' (Clarke 1998, 1999). This form of analysis explores the production of meaning in the social world, emphasizing the fluid, fragile and contested nature of taken-for-granted categories (Burr 1995). These concerns have had relatively little impact on social and public policy to date, but are of considerable significance for questions of evaluation. Our study of market testing highlights how actors involved in the process construed efficiency in divergent ways. In part, this calculation of efficiency depends on apparently technical issues about what costs are included or excluded, about what sorts of benefits or gains are understood as increased efficiency, and at what level of analysis (the business, the service, the system). But from a constructionist perspective these divergent criteria can be viewed as discursive struggles about the definition of organizational purpose, ownership and success. Efficiency is the focus for competing 'claims to truth' as well as for conflicting 'narratives of achievement' (Corvellec 1995).

Methodological issues of attribution, benchmarking, assessing costs and benefits, and selecting appropriate evaluation criteria provide an initial framework for suggesting the complexity and contested nature of evaluation of market mechanisms in the context of this study. However, by drawing on insider accounts of the process of institutional change we were also able to explore how managers and other participants interpreted the new frameworks, and how they made sense of changing rules and norms. Semi-

structured interviews enabled individuals to tell us their story of change, to talk about what they had learned in the process, and to reflect on the impact of market testing and contracting. Scott (1994) suggests that '...*institutions* can be described as *cultural accounts* under whose authority action occurs and social units claim their standing' (1994, p. 24, original emphasis). The formation of cultural accounts – the construction of narratives of change – contributes to the shaping of new norms and provides a context in which decisions are taken and actions legitimated. But such cultural accounts also provide clues about the ongoing struggle between different actors to define or redefine organizational purpose in the course of institutional change.

CONSTRUCTING 'WHAT WORKS': MANAGERS' ASSESSMENTS OF MARKET TESTING

Many case study sites were seen, in the eyes of senior managers, as phenomenally successful in terms of efficiency gains and business improvements arising from market testing and contracting. The narratives took different forms. Some emphasized short-term, one-off, economies: '...market testing helped us to achieve our business goals by reducing costs.' However, here the study revealed the difficulties inherent in arriving at objective assessments of efficiency gains: as one manager responsible for the market testing of a support service commented,

If you look at the figures for the present and the past, the market test has produced a 25 per cent saving. But because we never measured the work before we don't know how accurate that is. Overlapping areas (pre-market test) may have been recorded twice for example.

This illustrates the problem of benchmarking against past practice highlighted by Pollitt.

In assessing and comparing costs there are also problems of deciding how to measure the 'transaction costs' involved in paying for the setting up and monitoring of contracts. While most of our respondents were aware of the concept of transaction costs, there were marked differences in what was included in such calculations across the case study sites, with some including only the short-term costs of the procurement and contract letting process, while others took account of ongoing staff costs in monitoring and contract management.

Other narratives centered around assessments of the productivity gains perceived to result from market testing and contracting rather than short-term cost savings. In case study sites with a strong business approach prior to market testing, the private sector was viewed as offering new sources of finance to enable re-engineering and process innovation, especially through investment in IT. But the narratives here were often ones of frustration. One source of frustration lay in the perceived difficulty of achieving long-term productivity improvements in a policy climate which focused on year-

by-year cost reduction targets. A second source of frustration lay in the civil service tendering and procurement process, viewed as limiting the capacity for innovation. Managers in agencies who had prior experience of working with the private sector were sharply aware of the effects of rigid rules on tendering which had been put in place to ensure 'fair competition'. As one manager involved in procurement commented, 'The private sector say that they haven't been involved early enough so they get locked into replicating old ways of doing things', thus limiting the capacity for partnership approaches to re-engineering services. However, the 'low risk' culture of the civil service meant that such rules were rarely challenged in the early rounds of market testing. Constraints flowed as much from actors' constructions of the political and administrative context, deeply embedded in the culture, as from formal policy constraints.

Despite the differences between narratives focusing on the capacity of market testing to deliver cost savings and those emphasizing the delivery of longer-term productivity gains, there was a general consensus about the business gains arising from market testing and contracting. But there was greater divergence of views about the losses and gains in terms of service quality. The 'official' view, we were told, was that market testing was delivering quality improvements for customers. There were many examples of greater choice and flexibility from a user's perspective resulting from challenges to poor performance from in-house providers. However, market testing had frequently led to the realization that old standards of service – often termed the 'Rolls Royce' standards of the traditional civil service – were too expensive to be sustained in the new climate. Client side managers talked of the need to manage (internal) customer expectations by, for example, 'educating them in the idea that they could not have the same level of service that we provided in the past'. Other changes in quality arose from departments or agencies having to purchase industry standard versions of a service rather than one tailor made to their needs.

We also collected narratives which told a story of the increasing fragmentation of civil service work arising from splitting previously integrated services into a number of separate contracts. One story told of in-house staff who had been awarded a contract (in the form of a service agreement) retaining their previous commitment to the service by going beyond the service specification. Many others were constructed around regrets about what was perceived to be the loss of the coherence and value of a service as a result of some elements being contracted out and others retained in house. As one senior manager concluded, 'We can pursue our business goals more effectively but there have been losses in terms of the effectiveness of what we deliver as a whole'. Conflicts between two different criteria – those of efficiency and effectiveness – are evident here. However, this comment can also be read as expressing doubts about the subordination of deeply embedded civil service norms and values to the newer business ethos.

A rather different set of narratives were clustered around the potential of market testing as a lever for cultural change within organizations. Exposure to competition was viewed by business managers as a means of tackling pockets of poor performance or of breaking producer power in strongly unionized areas of work, exemplified in the claims of business managers in two different case study sites: 'Market testing has been an important lever to change attitudes and sharpen practice'; 'Market testing has enabled us to use competition, or the threat of competition, to address restrictive practices or areas of poor performance'. But others were more cautious about attributing cultural change to market testing alone (reflecting the problems of attribution discussed by Pollitt). Change in the UK civil service is multi-faceted, with different kinds of initiative interacting with each other. Another business manager, this time in an agency which had already delivered substantial improvements before the introduction of market testing, was less enthusiastic about the potential of market testing to deliver further change: '. . . the service was improving anyway and staff were meeting and exceeding the standards in the specification prior to market testing . . . I don't believe that had there not been a market test the service would now be antiquated. The service was good before and good after'.

So while in some departments and agencies market testing was viewed as an important lever for cultural change, laying the foundation for a stronger managerial orientation, this view was not universal. In those which had already put in place their own cultural change programmes, a strong line of narrative was articulated around the idea that the whole exercise had been either an irrelevance or a distraction: 'We were already engaged in important change programmes which market testing interfered with'; 'Many of us (agency chief executives) were trying to re-engineer the whole of the (agency) process – but there was no attempt to integrate market testing with other policies'; 'This has been small beer: market testing has been less important than our own efforts and successes in delivering major change'. The difficulties of untangling the impact of market testing from other changes, for example those resulting from the creation of Next Steps agencies, were widely recognized. Many agencies had introduced major change programmes which pre-dated and which continued alongside market testing. Some of these were seen by our respondents as compatible with the market testing programme, while others were seen to be undermined by it. Both positions recognized that the relationship between market testing and other changes was complex, and that it was difficult to attribute shifts in the cultures and practices of the civil service to any one initiative. However some of the comments from senior managers within the newly created agencies can also be read as a response to the introduction of what was perceived as a highly prescriptive, top-down policy which cut across the rhetoric of enlarged managerial delegation.

The different narratives explored here demonstrate the problems of attri-

bution discussed above, but also reflect managers' constructions of their interests. This was no great surprise: different stakeholders – managers, policy advisers, trades unionists, contractors, the Treasury, etc. – might be expected to bring different evaluation criteria to bear. What was more surprising was the diversity of evaluation criteria in use among senior managers within the civil service who could broadly be assumed to share the same objective set of interests. However, their perceptions of their interests were constructed through the lens of different departmental or agency cultures and occupational groups. Senior managers in civil service departments tended to centre evaluation on the achievement of the volume targets for market testing set by government. In contrast those more directly involved in service delivery, usually within agencies, were more preoccupied with overcoming defects and making the process work, tending to articulate evaluation around issues of quality of service to customers. It was also possible to distinguish different sets of criteria held by 'mandarins' (senior civil servants mainly engaged in policy advice) from those of 'managers' (those responsible for running a particular business). Some (but not all) senior managers framed their judgements in terms of the delivery of outcomes from a strategic use of market mechanisms and the capacity of partnerships to achieve efficiencies by re-engineering of services. But this managerial or business agenda intersected with the more traditional orientations of the civil service. Such 'traditional' narratives took a number of forms. Some talked of contractors not having an adequate understanding of the culture of the civil service which would enable them to deliver effectively. Others saw the process of contracting out as not having taken sufficient account of interrelationships between different services within the same policy area. Yet others were organized around concerns over the impact on levels of service or the implications of change for the institutions of accountability and public probity.

Some narratives might be viewed as frameworks of legitimization through which managers justified their resistance to market testing, seeking to minimize its impact on core services. What Dunleavy (1991) terms 'bureau-shaping' behaviour was most evident in the definitions of 'core' and 'non-core' businesses or activities that underpinned decisions about what to market test or contract out. It was notable that support services (typing, messengers, facilities management, etc.) were frequent early choices. This was justified on efficiency grounds (ready markets existed and services could be construed as being provided more 'efficiently' by the private sector). However, behind such rational discourses could be discerned other, more personal narratives, with some senior managers clearly welcoming the opportunity to divest themselves of troublesome management responsibilities (for example for support services, highly unionized areas of work or areas associated with long-term poor performance). The managers of the services concerned also told rather different stories. The dominant narratives of those subjected to the process of market testing were of trauma and uncertainty

during the process of preparing the service specification and bid, of poor managerial support and new divisions opening up between previously unified teams of staff. But others welcomed new opportunities to 'manage turnaround' and deliver business success. Here the process of engaging in competition produced new constructions of reality which changed old allegiances and patterns of cultural identification.

THE DYNAMICS OF CHANGE

Evaluation is difficult in a constantly shifting policy domain. What is interesting about the narratives is not whether actors were 'for' or 'against' the market testing process; but the way they attempted to make sense of their actions in the context of a rapidly changing political context and a shifting lexicon of meanings from which to draw. The White Paper *Competing for Quality* was published in 1991 in the run up to a general election which many thought would bring a change of government. Political uncertainty meant that many departments initially adopted a stance of complying with the letter of the new policy but resisting its spirit, selecting peripheral activities for testing and giving strong support to in-house bids. Following the 1992 election, when it was realized that the new policy was here to stay, departments attempted to deliver more substantial efficiency gains by contracting with external providers, albeit with more or less enthusiasm. A second policy shift occurred during the course of the research project. Under *Competing for Quality*, departments had been set targets for the volume of their activities to subject to market test. The White Paper *Civil Service – Continuity and Change* published in 1994 brought about a substantial change. Departments were now required to produce their own efficiency plans, demonstrating how they planned to meet tighter efficiency targets (whether by using the market or not). This produced a higher proportion of 'strategic' rather than 'defensive' responses (Newman, Richards and Smith 1998).

These shifts in the political and policy environment interacted with shifting logics of appropriateness among civil servants as lessons were learned and as managers reflected on their experience of working with the private sector. Three examples of shifting 'logics of appropriateness' can be used to illustrate the *dynamic* nature of practitioner narratives. The first relates to the development over time among civil servants of the view that the use of markets and competition, which many had initially resisted, could bring unforeseen benefits:

... if you had asked me in 1979 how efficient we were and how much more efficient we could get, I would have said yes we can improve by 5 per cent, 10 per cent. The idea that we could actually improve by an order of magnitude would never have occurred to me. But I have to say, looking at our efficiency today, I am less satisfied with it than I was back in 1979. Because we've seen what we can actually do and technology is moving all the time, and, if you take advantage of it, you will continually

reduce (costs). I am a great believer in market forces, not because of the political philosophy, but because I see the effect it can have (departmental senior manager).

Other respondents told a subtly different story of early promise and achievement turning to later disappointment as a result of what was perceived as tensions in the then government agenda. There was uncertainty about whether the policy was really about efficiency and business improvement or whether it was a response to a shorter-term imperative to reduce public expenditure by cutting costs. Some of the managers we interviewed in 1996-7 felt that there was by then insufficient attention to goals other than cost reduction. Such narratives were organized around concerns expressed about the capacity of departments and agencies to make further large-scale savings, and about the willingness of contractors to continue to accept high degrees of risk transfer. Contractors too had learned from the process, and were showing less readiness to bid for small packages of work or to invest in expensive tendering processes.

The value of market mechanisms had however been accepted by most managers, and this was reflected in shifting views about the appropriateness of in-house teams being required to compete with external contractors. In the early stages of market testing the desire to 'be fair to staff' often underpinned decisions to support an in-house bid. But many of those we interviewed in the later stages of the project reported that they had changed their views having witnessed the extent of trauma and uncertainty for staff which classic market testing tended to produce. Over time 'being fair to staff' came to be used by some respondents as a rationale for making outright decisions about whether to retain and improve an in-house service, or to externalize it through outsourcing without going through a market-testing process. As one senior manager, initially resistant to market testing, commented, 'It is not necessarily the case that pay and conditions fall. Market testing was a political compromise that was not necessarily best for people. Now there is more confidence to go straight to outsourcing, which may bring advantages for individuals'.

However while the possibility of transfer to the private sector opened up new career opportunities for staff who could command higher salaries in the external labour market (for example IT specialists), this was not the case for support staff on lower grades. Narratives about what had happened to staff in the process of market testing often commented on the way in which the threat of competition was compounded by poor management and lack of strategic thinking:

Some of the senior staff were highly resistant. Operational work was considered to be second rate so those were the ones that went. Blue collar workers took the brunt. Many of the negative effects of *Competing for Quality* were not as a result of competition but of poor management. Because the top pushed it down, they failed to think strategically about

what could be gained from competition. But many at the lower and middle grades have been very innovative. Now we have moved into white collar areas of work, there are instant benefits for individuals in moving into the private sector – better pay, training and opportunities for diversification.

Similar views about the potential benefits for staff of outsourcing rather than market testing is reflected in some recent statements of leading public sector unions and major contractors, as well as many managers. However it was evident in our research that the majority of staff preferred the option of remaining within the core civil service. Our data suggests that notions of 'fairness', like those of 'costs' and 'quality', can be co-opted by different interests and attached to different strategies.

A third example of shifting meanings in actors' interpretations of the impact of market testing was found in their views about the use of market mechanisms in delivering cultural change. As suggested earlier the introduction of market testing was viewed as strengthening managerial power in tackling areas of poor performance or restrictive practices. However these narratives had a sting in the tail in an often repeated theme: 'Market testing was helpful in enabling us to improve performance by changing attitudes, but it is now a wasteful distraction – we don't need to keep doing it' (agency chief executive). This theme was widely replicated, with many interviewees describing market testing as an expensive and elaborate set of mechanisms to deal with pockets of staff and/or trade union resistance to change: 'It was a one-off exercise which can be left behind now the problem is solved and staff know that they cannot expect the same measures of job security they enjoyed in the past'. One respondent used a telling phrase, describing the whole exercise as 'a sledgehammer to crack a nut'. The implicit message of these constructions was that managers should now be left alone to get on with the job.

A rather different example of the dynamic evolution of pathways of institutional change was the argument made by some respondents in favour of further, and more radical, change. It was widely recognized that partnerships with the private sector could help secure long-term service process innovation. Attempts to engage in re-engineering and create long-term partnerships, however, had begun to focus attention on the deficiencies of the policy process itself: 'You cannot re-engineer delivery without re-engineering the policy process at the same time'. Contracting has a tendency to make transparent the cost implications of policies and of policy shifts. Re-engineering coupled with long-term partnership arrangements implies both policy clarity and policy stability, and several of our respondents highlighted the difficulties of developing strategic approaches to contracting in an uncertain political environment. Those within the managerial cadre who identified themselves as 'modernizers' tended to view the institutional rules and norms surrounding civil service practice, and traditional relationships

between politics, policy and delivery, as barriers to the realization of the real benefits of using market mechanisms in public services.

CONSTRUCTIONS OF 'EFFICIENCY' AND 'EFFECTIVENESS'

It was apparent that concepts such as 'efficiency' and 'effectiveness' were highly unstable. As noted earlier, this was partly a matter of how 'costs' and 'savings' were calculated and reported. More importantly, different assessments of efficiency and effectiveness gains were situated in different levels of analysis. The data suggested that three levels of analysis were in use: that of the business, that of the system of interlocking services, and that of the policy/management interface.

Level 1: business efficiency and effectiveness. This level of evaluation was articulated through a field of concepts concerned with the economy, productivity and effectiveness of a particular business or discrete service provider. The narratives of change operating at this level suggest that market testing and outsourcing has been a major driver for enhanced efficiency and effectiveness at the level of the business or service unit. However there was little agreement about the extent of the savings achieved, and little consensus about how savings might be calculated.

Level 2: system efficiency and effectiveness. A second level of evaluation was articulated around narratives describing the effects of market testing and contracting on the delivery of outputs in complex systems in which multiple businesses need to interact in order to deliver effectiveness. The fragmentation of civil service work into networks of interlocking contracts, while producing economy, was viewed as potentially leading to inefficiencies (including higher transaction costs) and a reduction in overall system effectiveness. In some of our case studies complex systems had become fragmented into discrete business, each pursuing its own set of goals. This delivered business efficiency but was viewed as running counter to attempts to deliver system efficiency. In addition, the nature of some forms of goods or service was seen as being inappropriately simplified to make them suitable for contract, again undermining system effectiveness.

Level 3: delivering effective policy outcomes. The third set of narratives of evaluation deployed arguments about the effectiveness of government in the processes of formulating policy and managing the delivery of policy outcomes. The potential effect of the introduction of market mechanisms was seen as leading to the need for a tighter coupling between policy and implementation. The traditional relationship between policy and implementation can, in institutional terms, be characterized as 'loose coupling' (Meyer and Rowan 1991). Tightly coupled processes are built around efficiency and attempt to maintain close alignments between structures and activities. Conformity is enforced through inspection, output quality is continuously monitored, and efficiency is evaluated. This requires that multiple goals are specified, unified and co-ordinated. A number of developments highlighted in the case studies, notably those of re-engineering and experiments with

long-term relational contracting, imply a move towards tighter coupling. The narratives operating at this level of analysis were articulated around the potential implications of tighter coupling for the way in which policy is made. The underpinning message was the need for more outcome focused policy and for the relaxation of auditing and control systems to enable more risk sharing between client and contractor.

These different levels of evaluation underpinned different and conflicting 'logics of appropriateness' in our case study sites. For example, narratives focusing on achieving efficiency through business re-engineering operated alongside, and sometimes in conflict with, deeply embedded ideas of public service and the 'special' nature of civil service work. Notions of system effectiveness were linked to the need to retain public legitimacy, but were also frequently used to support the view that some services should be retained in-house. Higher order evaluative criteria were deployed to support claims about the need for change in the policy/management interface. The processes of tendering and contracting under the market testing policy were perceived as tightly prescribed, implemented through strongly hierarchical modes of management to ensure upward accountability to ministers. This contrasted with emerging logics more fitted to devolved management and the requirements of long-term business partnerships and the need to 're-engineer' the policy process to deliver effective outcomes. Each level, then, operated as a framework of legitimization in struggles about the future direction of market testing and contracting, with different groups of actors attempting to win legitimacy for a particular definition of 'effectiveness', or to argue for a particular conception of 'the public interest'.

CONCLUSION

These narratives reflect managers' own assessments of the impact of market testing and contracting on their organizations. While few conclusions can be drawn about the consequences of the policy for civil service efficiency or effectiveness, such insider accounts raise important issues about the slippery and elusive nature of definitions of 'what works'. Issues concern the *diversity* of evaluation criteria; the *contested* nature of core concepts; and the *dynamic* processes through which evaluations are produced, reshaped and reinterpreted over time. The contested nature of many of the concepts also highlights the importance of evaluation as a *process of legitimization* rather than objective assessment. In both the policy and case study phases of our study we found a range of groups manoeuvring politically to get their definition of efficiency or effectiveness on to the agenda.

The plurality and dynamic evolution of practitioner assessments has implications for understanding the process of institutional change. Each success criterion carries implicit assumptions about appropriate future action – its own 'logic of appropriateness'. In a context in which decision making is dispersed around a wide range of actors (through greater devolution of managerial discretion and through dispersal across clients and

contractors), divergent pathways of change are likely to emerge as senior managers, business managers, policy shapers, contractors, consultants and even customers interact in an evolving policy framework.

The emphasis in this paper has been on markets as *social institutions* rather than simple economic mechanisms. The 'principals' and 'agents' engaged in contracting and exchange are social actors who act on – as well as in – the economic process. In doing so they bring pre-existing knowledge and values to the process. But as this study suggests, such knowledge and values are constructions which may change over time as actors interpret and reinterpret events, and shape and reshape their informal evaluations of both process and outcomes. Evaluation is then not an objective process but is socially situated and institutionally embedded.

The multiple frameworks of legitimization in public policy and management – from business efficiency to system effectiveness through to the delivery of effective policy outcomes – operate within a hierarchy of legitimacy in which some concepts are viewed as more 'valid' than others. Such hierarchies are themselves subject to change. Some of the current struggles are being played out on the terrain where business efficiency, system efficiency and policy effectiveness intersect. Institutions designed to deliver business efficiency may not have the capacity to deliver system effectiveness or effective policy outcomes. It could be argued that it was the problems resulting from the narrow criteria of success used through the 1980s and early 1990s – based on measuring the achievements of individual agencies, hospitals, schools and so on as businesses – that has led to renewed concerns about cross-cutting issues in public policy and the emerging focus on measuring policy effectiveness. The current political agenda emphasizes the need for a holistic approach to tackle issues which cross departmental and agency areas of responsibility, such as health, crime, social exclusion and other policy areas requiring 'joined up solutions to joined up problems'. System and policy effectiveness are, then, likely to become more significant as issues of integration acquire a higher political profile. Part of the modernization agenda is based on a move towards closer partnerships between the public and private sectors to deliver outcomes. The use of long-term, relational contracts which can maximize value and share risk to deliver policy outcomes has implications for the way in which policy is made (short-term policy shifts become problematic). The evaluation of policy outcomes, and the assessment of the contribution of individual businesses (whether in the public or private sector) to the achievement of such outcomes, presents one of the most significant challenges for both academics and practitioners in public management.

Conceptualizing the field of evaluation as one in which actors both construct their world and deploy strategies of legitimization makes any objective evaluation elusive. The problems of evaluation do not, however, mean that no conclusions can be drawn about the outcomes of market testing and contracting in the civil service. As other publications arising from the pro-

ject have shown, despite initial resistance on the part of some departments and agencies, the new policy led to substantial institutional change. We saw the development of new logics of appropriateness on procurement and form of contract as managers responded to shifts in the political climate and gained experience of working with private sector contractors. The later shift from market testing to strategic contracting enabled managers to work with contractors to re-engineer the process of service delivery and change the way in which inputs were transformed into outputs. The reforms also changed internal relationships by positioning some groups of civil servants as the customers of others, opened up new relationships between clients and contractors and established new market-type roles and occupational identities within the civil service. Learning to be a 'customer' meant accepting the quality specified in the contract, and learning to operate through relationships of exchange as well as, and sometimes instead of, culturally embedded relationships of hierarchy and reciprocity. This had important consequences in terms of civil servants' expectations about the special nature of civil service work, challenging deeply held assumptions about the pre-eminence of public service over commercial values.

As well as changes in service delivery, the reforms also affected the pre-existing forms and distributions of organizational and occupational power, in some cases disrupting existing power bases, in others reinforcing them, but adding new dynamics to the acquisition and exercise of power, including the capacity to deploy new discourses in strategies of legitimization. The process of change led both organizations and actors to speak the vocabulary of economic calculation. Actors learned to represent themselves as 'economic agents' and account for their actions in the legitimizing framework of 'economic efficiency' (Mackintosh 1995, 1997). Learning to 'speak the discourse' of contracts and risk, competition and partnership brought about important elements of cultural change. This involved the negotiation of old and new institutional vocabularies that both account for and make possible specific courses of action. This change is not straightforward: economic discourse sits uneasily with older institutions of accountability and with more complex assessments of the 'public interest'. But the increased emphasis on economic discourse in situating and legitimating new patterns of action and in opening up new forms of role and occupational identity, may, in the long run, prove to be the most significant outcome of this process of reform.

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EUROPEAN FORUM



LOCAL COUNCILLORS: BETWEEN LOCAL 'GOVERNMENT' AND LOCAL 'GOVERNANCE'

KARIN HANSEN

With a two-dimensional concept of 'New Public Management' as its point of departure, the article points to the development of a specific Danish model of NPM at the local level of government. In the municipalities the market-oriented NPM dimension has been almost absent and the managerial dimension has been interpreted and translated into a 'governance'-oriented model that combines decentralized self- and user-governance from below with centralized goal-steering from above. This combined model institutes new governing roles including a new leadership role for elected councillors as central goal-steering decision and policy makers. Rather than strengthening the local councillors, the new leadership role has turned out to be problematic for the elected councillors. The problems inherent in the new institutional role as goal-steering decision makers are discussed and arguments are put forward in favour of a more 'governance' and less NPM and government-oriented role for elected councillors. What seems to be needed is another new role that stresses local councillors as co-governors and guardians of an inclusive and democratic form of local governance.

INTRODUCTION

Local government is – like government in general – in a state of change. Since the beginning of the 1980s, a wave of reorganization has swept the welfare states of Europe and the Western world in order to 'modernize' the political and administrative institutions and structures of the public sector. These efforts to reorganize and modernize the public sector are often gathered under the common denominator of 'New Public Management'

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(NPM). NPM has become a new discourse and guiding principle for the institutional form and structure of modern welfare states.

Commonly NPM is comprehended as a special, new kind of administrative policy, aiming at the institutional form and practice of public administration, i.e. the administrative and service-delivering institutions of the public sector. However, not just administrative and service-delivering institutions are being reorganized and modernized. The last twenty years of NPM restructurings encompass political institutions and ways of organizing politics and public decision and policy making as well.

In this regard, 'New Public Management' might more accurately be called 'New Public Government'. The modernization policies of NPM cannot be reduced to a new kind of administrative policy, only dealing with principles and institutional organization of public administration and service delivery. The NPM restructurings are of a more far-reaching and 'constitutional' kind, dealing with principles and institutional structures of public politics and government.

This constitutional aspect and perspective of the ongoing modernization of the public sector is more or less ignored in public and political debate. As pointed out by the Norwegian political scientist and 'new institutionalist', Johan P. Olsen, the modernization reforms of Western welfare states accentuate the need for a public constitutional debate about what kind and form of democratic government we are going, and wish, to have. The ongoing modernization efforts are not just about public administration. It is the political and democratic constitution – the institutional form of government – that is at stake and being reorganized under the guiding principles of NPM (Olsen 1990, 1991, 1992).

Emphasizing NPM as a 'New Public Government' concept and discourse, the article will focus on NPM reorganization at the local government level of Denmark. As a guiding principle for the institutional restructurings of the modern welfare states, NPM has been interpreted and introduced differently and with different impacts in various countries. There is no 'one' model of NPM at play. Various NPM elements are stressed and combined in more or less specific ways – according to existing institutional structures and traditions of the countries in question. At the Danish local government level a specific NPM model has been instituted, – a model that attributes a set of new governing roles to the political and the administrative actors, including a new role for local councillors.

With an analytically clarified NPM concept as its point of departure, the first part of the article describes the specificity of the Danish NPM reorganizations at the local level of government. The second part deals with the new governing roles that are being instituted at the local level, especially the NPM role of local councillors as goal-steering political leaders. The goal-steering role will be discussed and arguments presented for another new kind of 'governance' role for local councillors.

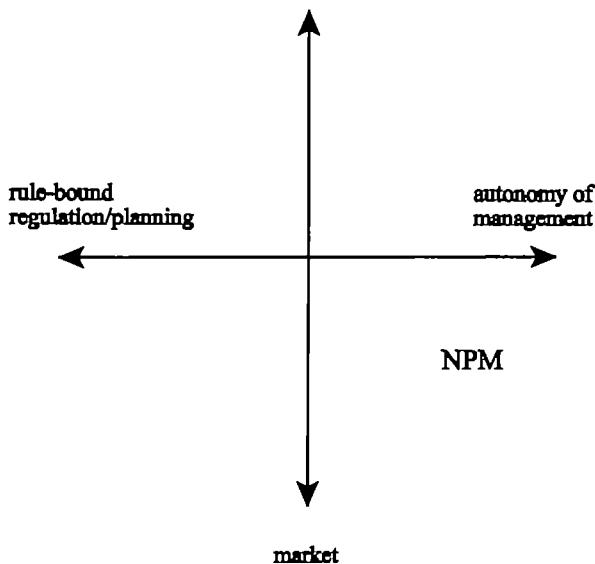
NPM AT THE LOCAL GOVERNMENT LEVEL – THE DANISH CASE

As a common denominator for the various efforts to modernize the public sector in advanced welfare states, NPM is a somewhat mixed bag. The literature often attempts to clarify the concept of NPM by shorter or longer lists of the – many and different – reorganization elements that have been on the agendas and implemented as part of the various public sector modernization programmes since the beginning of the 1980s. Often, these NPM descriptions are coloured by the country-specific programmes and efforts of the particular states under consideration.

In an analytical perspective, such a descriptive NPM concept is not very useful. Not all reorganizations since the early 1980s can be aptly characterized as NPM oriented. Besides, such an all-encompassing NPM concept does not leave room for a more precise specification of NPM variations and profiles in different countries, at different times and at different levels and areas of government.

In order to grasp the different organization principles and elements generally associated with the concept of NPM in a more conceptualizing and analytically fruitful manner, these principles and elements may be categorized along two lines or dimensions: a *market*- and a *management*-oriented dimension of reorganization. A combination of these two dimensions can help narrow down the concept of NPM, as shown in figure 1. The vertical axis, from hierarchy to market, illustrates efforts to marketize the public

FIGURE 1 *Organizational principles of NPM: market and management dimensions*
hierarchy



sector – either directly or indirectly by introducing market-like mechanisms into the public sector – at the expense of the hierarchical structure that has been a characteristic feature of traditional public sector organization. Examples of such market-oriented reorganizations are:

- privatization
- contracting out
- purchaser-provider models
- free choice/exit opportunities
- competitive and economic incentives

These examples are not meant to be illustrative of the continuum perspective of figure 1. A continuum perspective may be relevant, some reorganizations being more market-oriented or market-like than others. What is important here, however, is to differentiate reorganization elements of this 'vertical', market-oriented type from the 'horizontal', managerial type.

Whether we are talking about direct marketization through privatization or of introducing various market-like mechanisms into the public sector, these reorganization elements lead to limitation or restraint of the scope and degree of collective, political and administrative, decision-making in favour of more 'self-regulating' and non-political mechanisms of social coordination. In this regard, the vertical types of reorganization differ from the ones illustrated by the horizontal axis in figure 1.

The horizontal axis, from rule-bound regulation and planning to autonomy of management, illustrates efforts to organize the public sector according to new principles of leadership and management developed in the private business sector. Common to this 'managerial' reorganization is a new orientation of the public sector towards the output and outcome dimensions of political and administrative decision making at the expense of input and process dimensions of public decision and policy making. The public service institutions and administrative units are being freed from traditional rule-bound regulations and planning directives from above in order to deliver high quality services efficiently and responsively according to the needs of citizens as 'customers' of public services. They are given increased possibilities and autonomy to manage their task performance and service delivery in varying ways according to criteria of efficiency and outcome. Examples of this type of reorganization are:

- decentralization of decision making competence and responsibility
- user influence
- goal steering/management by objectives
- joint forums of strategic leadership
- efficiency monitoring
- service and quality management systems (Total Quality Management, benchmarking, and the like).

These 'horizontal' elements do not restrain, but innovate and restructure

the organization of political and administrative decision and policy making. The principle of collective and public decision making is not being contested in favour of non-political and self-regulating mechanisms of co-ordination as is the case of 'vertical' reorganization elements.

These new managerial ways of organizing public decision and policy making are primarily directed against institutional forms and centralized systems of planning and policy making, developed during the post-war period of welfare state expansion. It is the central, rule-bound regulations and planning systems of the welfare state that are being questioned in favour of more decentralized and autonomous forms of public decision making and task performance at the different policy areas and levels.

NPM may be seen as a complex combination of these two different types of reorganization – indicated by the lower-right quadrant of the figure – whereas the upper-left quadrant indicates the organizing principles and structure of the traditional public sector.

This combined, two-dimensional conceptualization of NPM is general in perspective. In most countries the efforts to reorganize the institutional structure of the public sector have consisted in various combinations of elements along both lines of reorganization, but the country-specific combinations can be identified by means of these two different NPM dimensions. In some countries reorganizations of the vertical axis type have been dominating, in others the horizontal axis type has come to the fore. Thus, the combination of NPM reorganizations that has characterized the development of the Anglo-American countries such as England, New Zealand and Australia has been more of the market-oriented type than has been the case with continental European countries. With the exception of England, the processes of European modernization have not become dominated by the market-oriented type of reorganization (Olsen and Peters 1996; Kickert 1997; Peters and Pierre 1998). However, this does not mean that the NPM concept and principles have not caught on. In some continental European and in the Scandinavian countries NPM has got rather a strong foothold as well, but here the managerial dimension of NPM has become the dominant one.

During the last fifteen to twenty years of Danish modernization the efforts have predominantly been of the horizontal axis type, encompassing various managerial restructurings of the public sector, whereas the vertical, market-oriented type has been, if not absent, then rather insignificant.

The comparative unimportance of the market-oriented NPM dimension in Denmark and in the other Scandinavian countries is sometimes interpreted as an indication of a more reluctant and moderate NPM development (Dunleavy 1997). Rather than talking about 'more or less' NPM one can, according to the two-dimensional concept of NPM outlined in figure 1, talk about different types of NPM reorganization and about the Scandinavian development as a development dominated by the managerial NPM

dimension, giving less importance to the market-oriented dimension (Christensen and Lægreid 1998; Klausen and Ståhlberg 1998).

Especially at the local government level of Denmark, market and meso-market ideas have not caught on, and municipal efforts like privatization, contracting out, free choice and competition are rare. Owing to financial restraints, more municipalities have begun to consider and are attempting to contract out services for the elderly and day-care for children. But up until now, such reorganization elements have been far from dominant. Besides the absence of market orientation, Danish restructuring at the local level has taken a path of 'its own', differing from the local government reorganizations of both Norway and Sweden. This specific path of municipal reorganization does not fit well into the more general NPM perspective outlined by figure 1.

With the dominant horizontal, managerial kind of public reorganization from figure 1 as a point of reference, Danish restructuring at the local level of government since the late 1980s is illustrated in figure 2. In terms borrowed from British local government literature (Stewart and Stoker 1995; Stoker 2000; Rhodes 1998, 2000), reorganization of Danish municipalities can be described as a restructuring from local 'government' towards local 'governance'.

This line of reorganization covers a structural change from one formal and authoritative centre of public decision and policy making at the local level ('government') towards a multitude of more or less autonomous entities, public as well as private institutions, associations and actors, networking within their respective domains of policy making ('governance'). The traditional, vertical relations of local government from above are being supplemented and, to some extent, replaced by more horizontal relations and interaction between the many centres and entities of local governance. In the literature, the concept of 'governance' is often mixed up with the NPM concept. Despite their interconnectedness, 'governance' is, however, distinguishable from NPM, stressing interaction and co-operation between the many interdependent entities and actors of local policy making (Peters and Pierre 1998).

In Denmark this 'multi-centring' of local government is taking place by way of delegation and decentralization of more or less delimited decision making competence and responsibility from the 'central' local government, i.e. the elected local council and council committees, to the different producing and service-delivering institutions and their users, to voluntary associations and groups of citizens, setting the status of 'self-governing' entities within their respective domains of local policy making.

In the British context the new multi-centring and governance-orientation of the traditional structure of local government goes hand in hand with a limitation of authority for municipalities as political institutions of local self-government. By means of central state regulations, local authorities have been deprived of tasks and competence in favour of various private

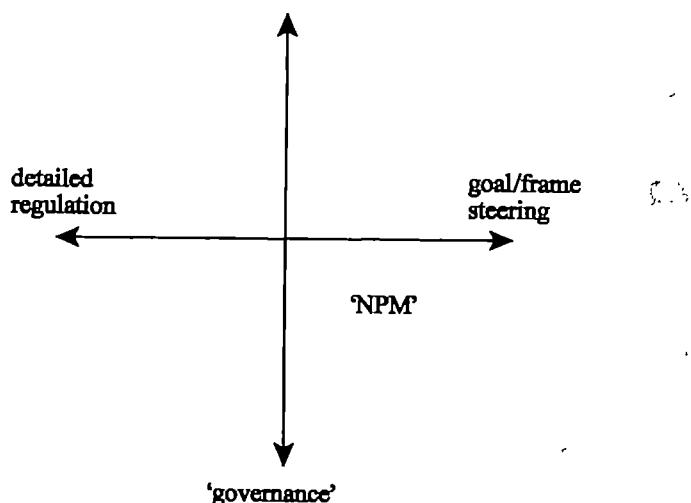
agencies (Stewart and Stoker 1995). This has not been the case in Denmark. On the contrary, as part of the modernization programmes, municipalities have been granted new tasks as well as increased decision-making competence regarding organization and management of public tasks and services (Hansen 1997). Thus, in the Danish case, we can speak of a two-fold decentralization from the central state to the local government level, as well as from local government to a multitude of more or less self-governing entities, networking together and with municipal authorities. To a large degree, local councils have, themselves, renounced their increased municipal competence within the various areas of service provision and task fulfilment in favour of decentralized self- and user-governance.

This kind of multi-centred self- and user-governance along the vertical line of reorganization is combined with a horizontal line covering a withdrawal of detailed regulation from above in favour of superior goal steering and economic frame regulation, giving new and increased latitude to the self-governing institutions and units.

The dominant profile in Danish 'NPM' restructuring at the local level of government can be described as a combination of these two lines of restructuring. It is illustrated by the lower-right quadrant of figure 2, whereas the upper-left quadrant describes the traditional structure of government at the local level.

As a result of these local restructurings, a new and combined model of governing is taking shape at the local level. This model can be illustrated

FIGURE 2 *Organizational principles of Danish restructuring at the local level*
 'government'



in the simplified and ideal-typical figure 3. The new model of governing taking shape at the local level in Denmark consists of three main elements:

Decentral self-governance:

Decision-making competence and responsibility are being delegated to various administrative and service-delivering institutions and units, such as nurseries and schools, homes for the elderly, youth centres, etc. Decentralized institutions are becoming more or less self-governing, taking over competence and responsibility for their own finances and 'production'. The scope and degree of self-governance may vary from one field to another, as well as in and between different municipalities; just as private associations, organizations and groups of citizens may be attributed various degrees of competence and responsibility within demarcated domains of local governance.

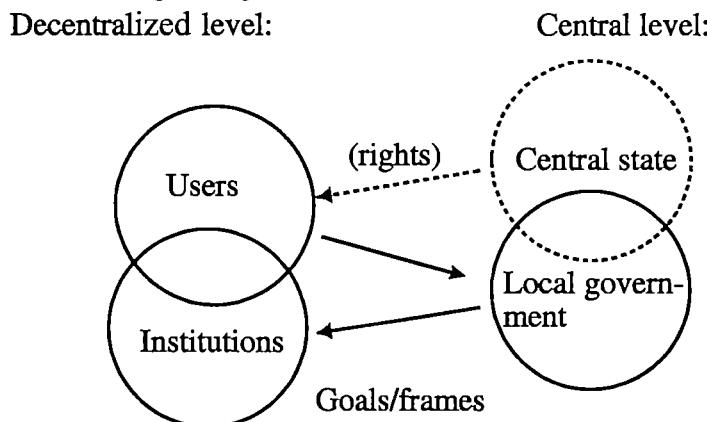
User participation:

The self-governing competence of public institutions and units is carried out in co-operation with users of public services. Users are given new rights of participation as well as decision-making competence through elected user councils and user boards that function as governing bodies of the institutions. Besides these formalized channels of participation, users have influence through more informal channels of participation and through user surveys at the decentralized as well as at the central municipal level.

'Central' goal steering and economic frame regulation:

Decentralization delegates many detailed matters, traditionally assigned to elected local councils, to the various administrative and service-delivering institutions. Simultaneously, detailed regulations from above are being revoked in favour of broad goals and economic frames determined by the central, elected council. In various degrees of formalization, central goal

FIGURE 3 *Combined governing model at the local level*



steering by local councils is carried out in co-operation with the self-governing institutions and their users by way of procedures and forums of dialogue. This economic frame and political goal steering by elected local councils belongs to the realm of local self-government. The municipalities are, however, not autonomous entities of local government. They interact and negotiate with the central state government about overall public finances and services, and municipal decisions regarding goals and economic frames must comply with negotiated agreements and obey national laws and the social rights of citizens – indicated by the dotted lines in figure 3.

This combined model of governing recurs – in various versions – in many Danish municipalities where the model has been implemented – to various degrees – since the end of the 1980s. Decentralization of the service-delivering institutions is the most prevalent element of Danish local government reorganization and has been introduced in most municipalities. User participation through formal user boards is instituted for primary schools, day-care and services for the elderly. Besides these forms of user participation, other and less formalized types of user participation and influence are common in a wide range of service areas. Goal steering, embracing a range of municipal tasks and services, has been introduced in about half of the Danish municipalities (Sehested *et al.* 1992; Andersen 1996; Ejersbo 1997; Klausen and Ståhlberg 1998).

A specific Danish NPM-model has taken shape at the local government level; a model that entails a range of clear NPM-oriented and inspired elements, but that deviates from the more general NPM discourse on several points. The market-like elements of NPM are only modestly integrated in the model, and the managerial elements are combined in a specific way, stressing decentralized self- and user-governance within central goals and frames.

This specific variant of NPM at the local government level in Denmark also deviates from the kind of NPM-inspired restructuring and new models of local government that have been instituted in Swedish and Norwegian municipalities since the 1980s (Hansen 1999).

Compared to the Swedish local government restructuring, the weak integration of market-oriented restructuring comes to the fore. Although the market-oriented NPM dimension has not been dominating in Sweden, elements of contracting out, purchaser-provider models, and voucher systems have been introduced in a number of municipalities (Wise and Amnå 1993; Montin 1990, 1993, 1997; Klausen and Ståhlberg 1998). In addition, the Swedish restructurings do not contain the same characteristics of decentralized self- and user-governance.

This goes for the Norwegian restructurings too. Besides the little weight given to decentralized self- and user-governance, Norwegian local government restructurings have been less inspired by NPM ideas than has been the case in Denmark and Sweden. The Norwegian local government restructurings are more 'traditional' public administration-oriented, stress-

ing municipalities as local implementation agencies of the central welfare state (Baldersheim *et al.* 1997; Vabo and Opedal 1997; Vabo 1998). As a result of the modernizing restructurings, the so-called Scandinavian model of local government seems to have become less unitary, being restructured in somewhat different directions.

In Denmark, management-oriented NPM reorganizations have caught on at the local level, but not in a pure managerial version. The managerial ideas and elements have been mixed with historically developed traditions and institutionalized norms and forms of rather open government at the local level, giving opportunities of participation and influence to local associations and groups of citizens and users of public services (Gundelach and Torpe 1999). Thus, diverse forms of consultation and participation were instituted as part of the local government reforms during the 1970s. The NPM discourse has been articulated and interpreted within the existing institutional reality of Danish local government, and the managerial recommendations have been translated into that reality. On the other hand, this reality has been restructured and given form and colour by the NPM discourse, attaining a specific 'NPM' profile characterized by the combined model of decentralized self- and user-governance and central goal and frame steering.

NEW GOVERNING ROLES AT THE LOCAL LEVEL

The specific Danish 'NPM' model at the local level of government institutes a range of new governing roles for the different actors in local politics and policy making:

- *Citizens* are being instituted as *users* of public services. As users, citizens have new specified rights to participate and influence the various service-delivering institutions and municipal sectors. They are given formalized voice opportunities and competence as specially concerned participants in the local decision- and policy-making processes.
- *Professionals and employees* of municipal institutions and administrative units have obtained more competence and responsibility as *producers* of public services. This competence and responsibility are exercised in accordance with the users of the services by way of new formal and informal procedures of dialogue and co-operation. Thus, the formal user boards consist of elected user and employee representatives.
- *Heads* of various municipal institutions and units are attributed a new and enhanced role as *leaders* and *managers* with more authority and responsibility internally in regard to their own institution, as well as externally in regard to leadership and management of the municipality as a whole.
- *Central administrative staff* of the municipality are turning into *consultants* in relation to the decentralized, self-governing institutions and producing units which they service within their respective realm of administrative capacity.

- *Administrative chiefs* have been assigned a new role of municipal leadership and management as *directors* – functioning as a forum of strategic leadership and as advisers and sparring partners in relation to the politically elected council and the mayor. At the central level of municipal administration and management, these new roles are often instituted in combination with an abolition of the sector-oriented divisions and departments of the traditional administrative structure in favour of more cross-cutting and comprehensive units of 'service' administration.
- Finally, *local councillors* have been attributed a new role as general *goal-steering decision-makers*, formulating and deciding overall goals and specific objects as well as the financial frames of the municipality. This new goal-steering role of the councillors is commonly combined with more or less formalized and developed procedures of dialogue between the local council and different self-governing institutions and their user boards. And often, the traditional standing sector committees of the local council are abolished and restructured in favour of fewer, more comprehensive committees in order to make the local council function as a unified political forum.

According to the common perception and discourse of the new model of local government, these sets of roles and relations will make local government both more *effective*, more *responsive* and more *democratic*. More and better services will be delivered for the money. The different needs and preferences of the local citizens and users will come into focus. Local government will be strengthened and democratized from below by the development of new forms of participatory democracy for users of public services and from above by a strengthening of local councillors as crucial goal-steering decision and policy makers.

As such a promising form of government, this NPM-inspired model and set of governing roles have been propagated by a host of municipal organization experts and consultants during the past decade of public and local government modernization. No wonder the new governing model and roles have caught on and that municipalities have sought to institute them in various versions and to various degrees.

Whether the new governing model at the local level will have the promised effects in efficiency and democracy from below will not be discussed further here. The focus turns to the new leadership role for local councillors that is being instituted as part of this NPM-inspired restructuring of local government.

THE NPM ROLE OF LOCAL COUNCILLORS

Generally, the new leadership role of goal steering is seen as strengthening elected councillors as primary political decision and policy makers in local government, and thus strengthening political democracy at the local level.

The alleged strengthening of local councillors is based on a new NPM

distinction between 'political' and 'administrative' decision making and on a separation of the roles of elected politicians and public administrators and service providers. 'Politics' and 'political' decision making are seen, on the one hand, as the making of overall goals and objects for the general development and the various public services and tasks of the municipality. On the other hand, 'administration' and 'administrative' decision making are seen as operational management and running of concrete service provision and task performance in accordance with the political goals of the elected councillors.

According to the NPM discourse, these two kinds of 'political' and 'administrative' decision making and roles must not be mixed. Politicians must not interfere with the detailed matters of service delivery and task performance, giving the administrative and professional staffs and units of the municipality increased competence and latitude to do what they are good at, namely manage and operate task performance and service delivery. Delegating management and operational competence to the various service-delivering institutions and task-performing entities will simultaneously give the elected politicians more time and opportunities to do what they are good at and elected to do, namely make politics and policy.

This new distinction and separation of 'politics' and 'administration' has really resonated at the local government level.

Historically and constitutionally, such a distinction and separation of political vs. administrative competence and decision making has not been instituted as part of the local government structure. Contrary to the constitutional separation between political and executive authority at the central state level, the local council has – as an elected assembly of representatives and ombudsmen of the local citizens – been granted complete political as well as administrative competence and responsibility to handle local affairs. Since the local government reform of 1970, which entailed a new statute for municipalities, this competence has been implemented by a number of standing council committees, in charge of the immediate administration and management of their respective fields and realms of municipal authority. Increasingly, executive and administrative competence has been delegated to professional staffs and units. Decisions in concrete cases and detailed matters have, however, remained a significant share of the work of elected councils and standing committees. Because of the growing number of public tasks and services allocated to municipalities during the welfare state expansion of the 1970s and the new wave of modernizing decentralization from central state to local government in the 1980s (Hansen 1997), local councillors became ever more buried in detailed matters and concrete case work throughout the 1980s – which encouraged increasing sector specialization by elected councillors.

This combination of overload by detailed matters and increasing sector orientation attracted growing criticism of local councillors, who were accused of playing case workers and administrators, leaving important

political issues to professional administrators who were in turn, accused of playing politicians.

Against this background, the NPM discourse about what is political and what is not, as well as the propagated new role of councillors as goal-steering policy and decision makers, elicited a positive response in the municipal world. The new separation of politics and administration became a 'sesame' and an answer to the problematic state of local government affairs – with its unclear mixing of roles, growing overload of detailed matters and increasing sector specialization by local councillors.

However, efforts to institute a new goal-steering role for local councillors have been far from successful. Generally, local councillors have experienced many difficulties in their attempts to adapt to the recommended role of goal-steering. 'But sooner or later, we will be able to handle it and get a better grasp on political goal steering. We just aren't used to it and haven't learned it yet,' the councillors console themselves and each other in the face of accusations of falling back on and continuing their involvement in concrete, detailed matters of municipal administration and management.

The question is whether the difficulties experienced by local councillors are just a matter of getting used to and learning their new role of general goal-steering political leadership. Two sets of problems may be raised in connection with this new role:

- the role of goal-steering decision making does not fit well into the reality of democratic politics and public decision making at the local level.
- the new leadership role of local councillors does not match the democratic challenges of a local 'governance' structure.

These two sets of problems will be discussed below.

GOAL STEERING AND DEMOCRATIC POLITICS AND DECISION-MAKING AT THE LOCAL LEVEL

From one perspective, municipalities may be seen as service-delivering entities that are and may be governed from above by objects and goals which function as guiding principles for the management and delivery of services by different producing municipal units. This is the perspective of the NPM-oriented reforms of local government. The municipalities are, however, also democratic political institutions, organizing public and common concerns of the citizens of the municipality. This perspective is absent or neglected in the NPM discourse.

Concurrently, local councillors are more than goal- and decision-making leaders of various service-delivering institutions. They are elected representatives of the plurality of opinions and interests of the citizens as regards the common concerns and affairs of the municipality. Making the plurality of voices, opinions and interests heard, making them agree and compro-

mise in public deliberation and decision making may be seen as the bottom-line of democratic politics and policy making.

From this democratic and political perspective, the distinguishing dimension of the role of elected councillors is to be able to comprehend a subject matter from different points of view, to consider them, to compromise conflicting interests and judge what is most reasonable and appropriate in a given situation. And this is what local councillors learn in practical political life and what they are trying to do well in local political decision making.

This genuine political and democratic dimension of the role and skills of elected councillors is not easily combined with the propagated role of goal-steering. First, when public decision and policy making takes the form and character of setting overall goals for the development of the various tasks and services in the municipality, politics and policy making are raised to a level above the many different opinions and conflicting interests of the municipality. As a rule, different opinions and interests are not articulated and confronted at the level of overall goals and objects. At this 'abstract' level, agreement is often easily arrived at and the need to listen to, argue with and reconcile the many different points of view and interests is not at stake. So the particular and distinguishing political skills of the local councillors are difficult to bring out and develop in the determination of overall goals for municipal service delivery and task performance. Second, as a result of the NPM separation of politics and administration, local councillors lose touch with real life in the task-performing and service-delivering municipal institutions and with the different opinions and interests manifested at this decentralized and concrete level of local government. They are dealt with by the self-governing 'administrative' institutions and their users, and are of no concern to the central 'political' level of the local council and the councillors.

Although the reorganized municipalities have instituted more or less formalized procedures of dialogue between the central, goal-steering level of the local council and the decentralized level of the self-governing institutions and user boards, the contact between these two levels of local government has faded, both from the point of view of the local councillors and of the service-delivering institutions and their users.

With the delegation of self-governing competence and responsibility to the service institutions, they have become their 'own masters' within the overall goals and frames decided upon by the local council. The flipside is being left 'alone at home'. The same might be said for local councils and councillors as central goal and decision makers. Because of weak contact and missing information and knowledge about what is going on at institution and user level, it becomes difficult for local councillors to relate their goal-steering efforts to the real-life problems of institutions and users.

Goal making and steering by local councils and councillors can easily become irrelevant to and out of touch with what is going on 'out there', in service-delivering institutions, among users of various services and among

citizens in general. Thus, many local councillors see their goal-steering efforts as more or less meaningless and many have become pessimistic about their promising new leadership role as goal-steering decision makers. 'But we just have to learn how to do it – and get better,' the optimists say.

Maybe they will get better, but so far, the new role has apparently not strengthened local councillors as primary political decision makers. Instead, local councillors have, as goal-steering decision makers, become more lonely and invisible in local political life. They seem to be passive bystanders, while local politics and policy making goes on anywhere but at the level of central goal steering of local councils and councillors.

So local councillors are searching high and low for new ways that may revitalize their role as important political actors and decision makers in local government. They have no intention of returning to the traditional role as 'case workers', preoccupied with and getting buried in detailed matters of service delivery and task performance. Returning to 'the good old days' is not seen as any solution to the problems of losing touch with reality in local politics and decision making.

Municipalities and local councillors invest much talent in various efforts to make the new role of goal making and steering more politically meaningful and important in relation to real-life problems in local politics and policy making. Attempts are being made to concretize and operationalize the overall goals, making goal decisions by the local council more intervening and steering for concrete services and outcomes of institutions. Often, this is recommended to local councillors as the way to make their goal-steering role more relevant and important.

Other attempts are being made to improve the contact between the central level of the local council and the real-life problems of different service institutions, users and citizens in general. Information and dialogue procedures are being elaborated and remedied in order to render the local councillors more visible and more aware of what is going on.

Generally, such efforts to make the goal-steering role of local councillors more politically important and meaningful are in line with a 'government'-oriented perspective. A search is on for new ways and means to bring elected councillors 'back on stage' and to the centre of local decision and policy making. Instituting the NPM concept of a goal-steering political leadership role has turned out to be problematic in regard to the promised strengthening of local councillors as political leaders and that is what local councillors are searching for, i.e. new ways and means to 'reinvent government' and get 'back in' to the centre of local policy making – without returning to the traditional institutional structure and roles of local government.

The big question is, however, whether such efforts of 'reinventing government' are what is needed to meet the new challenges of political democracy and decision making at the local level. This question will be discussed in the following and last section of the article, including some

tentative arguments for another new role for elected councillors – one which may be called a new ‘governance’ role.

THE NEW CHALLENGES OF DEMOCRATIC GOVERNANCE AT THE LOCAL LEVEL

As illustrated in figure 2, the modernizing reorganizations since the late 1980s have changed the traditional structure of local ‘government’ towards an emerging new structure of local ‘governance’. The formal-constitutional centre of political authority and decision making has been reorganized into or supplemented with a decentralized and multi-centred structure of governance, consisting of a range of more or less self-governing institutions and entities, being in charge of their ‘own’ affairs.

No doubt, this kind of reorganization has come to stay. The different service-delivering institutions have no intention of giving up their self-governing competence and responsibility. Neither have the users; nor the local councillors. The new institutional forms of local self- and user-governance from below can hardly be rolled back to the traditional form of local government from above. Even if local political opinion and wills should change in favour of a recentralization of the delegated competence and responsibility, local political decision making has become too complex an affair to be handled by one centre of authority, governing from above on behalf of the citizens of the municipality.

If public decision and policy making are no longer within the solitary sphere of one centre of local authority and not to be controlled from above by the local council and the elected councillors, this new ‘fact’ of decentring and multicentrism of local decision and policy making must be recognized and taken into account. The democratic challenge is to make – and how to make – the plurality of decision-making entities on different levels and fields of competence accountable, not only to their own but to the common concerns of the municipality. In order to meet this challenge two things seem important.

First, and contrary to the NPM discourse and demarcation of what is political and what is not, the various self-governing entities, institutions and users must be recognized as political and governing entities and actors along with the elected councillors. They should be seen and accepted as more than ‘just’ administrative and managerial. Local government and decision making must be recognized as and take institutional form and character of local co-governance between the elected councillors and the many other units and actors of local governance. To comprehend a subject matter from different points of view, to take these into account and to make judgements in regard to a reasonable and fair course of action must also become a concern and skill of the many governing entities and actors of the municipality. The specific political skills of the elected representatives must be learned by and become a skill of all actors and participants in local governance. Authoritative public decision and policy making cannot be left

to the local council and to the elected councillors as the one and only governing body, in charge of and accountable for the common and public concerns of the municipality. This is what the NPM discourse and the concept of a new political role of goal-steering leadership is advocating, disregarding the genuine political and democratic dimension of public decision making as well as the emerging new fact of a de-centred structure of political decision making and governance.

Second, elected councillors need a new 'governance' role. Instead of being strengthened as central political leaders and decision makers, governing from above, elected councillors must become participant co-governors, contributing to public-oriented interactions between the many institutions and actors in local governance. The traditional vertical political relations and interactions from above and below between elected councillors and voting citizens must be supplemented with lateral relations and interactions among institutions, professionals and users, who become politically integrated into, and made publicly accountable for, the common and public concerns of the municipality and the citizenry.

Without such political integration of the decentralized institutions and users, and without development of a public structure of co-governance between local councillors and the many self-governing institutions and units, there is a risk of growing fragmentation and exclusivity, which is inherent in the local structure of self- and user-governance, as well as of increasing marginalization of elected councillors who will be decoupled from the political problems and opinions 'out there' among the decentred entities and actors in the local governance structure.

This new governance role for local councillors emphasizes other role dimensions than the ones that are being stressed by the NPM discourse and the concept of political leadership from above.

In a local governance structure local councillors have – as elected representatives of the citizens – to become guardians of the all-embracing, public concerns of the municipality, ensuring that the plurality of opinions and interests have voice opportunities and that no one is excluded from the decentred processes of public opinion and decision making. No other body or institution than the elected council can fulfil such a guardian role, and accepting this role has become ever more important because of the inherent tendency towards particular and exclusive self- and user-interests in a local governance structure.

To be guardians of public concerns and the plurality of opinions and interests in local governance is, to some extent, more a matter of procedure than of substance. Thus, an important dimension of the new governance role of the councillors is one of organizing and staging public decision and policy making at the different levels and fields of local governance, ensuring a public deliberation in and between the many decision-making entities and actors.

As regards the substance and subject matter of local governance and

decision making, local councillors must rather become active participants in processes of public opinion and political will making than important goal and decision makers. Besides making central decisions about budgets and economic frames of the municipality as well as other public decisions that may not be delegated to decentralized self- and user-governance, councillors must participate and engage in public deliberations about common concerns of the municipality, ensuring that all citizens get an opportunity to voice their opinions and interests, and that the plurality of voices are considered on various levels and fields of local decision and policy making.

These governance dimensions of the role of local councillors are absent from or neglected in the NPM concept of political leadership and are not met by the various efforts to strengthen and 'reinvent government'. To develop and institute such a new role for local councillors, combining 'government' and 'governance' in an institutional structure of local co-governance, is one of the big challenges to the emerging new structure of governance at the local level.

CONCLUSION

In the case of Denmark, the specific NPM reorganizations of local government have restructured local government towards a more de-centred structure of local governance, characterized by increased self- and user-governance for various municipal service institutions and task-performing units and organizations. Rather than strengthening elected councillors as central and crucial goal-steering leaders, as advocated by the NPM discourse and aimed at by the various efforts to 'reinvent government', this restructuring calls for a new kind of governance role for local councillors.

In order to meet the problems of self-governing fragmentation and exclusivity inherent in a de- and multi-centred local governance structure, the institutional structures of government and governance must be combined into a new structure of local co-governance – giving the elected council and councillors a role as co-governors and guardians of the all-embracing, public concerns and the plurality of interests and opinions in municipalities. Local councils and councillors cannot be the only governing body in charge of and accountable for the public and common concerns of the municipality. As elected representatives, the councillors are, however, the only body that can fill a role as guardians of common and public concerns and voice opportunities of all opinions and interests.

This guardian role has become more important than ever for ensuring and developing a democratic form of governance at the local level.

How to develop a new combined structure of local co-governance and how to institute a new governance role for elected councillors seem to have become some of the great challenges implied by the ongoing NPM-oriented restructurings at the local government level.

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THE ENEMY WITHIN: INTRAGOVERNMENTAL POLITICS AND ORGANIZATIONAL FAILURE IN GREEK PRIVATIZATION

GEORGE PAGOULATOS

Mainstream approaches explain privatization policy failure by taking account of the surrounding sociopolitical and economic context. This article examines the unsuccessful Greek privatization over the first half of the 1990s by following an alternative approach. It looks at the obstacles originating from intragovernmental politics and the state organizational structures and resources. Contrary to what the British or French experience would suggest, the adoption of a statist, impositional policy-making strategy in the Greek case failed to achieve policy effectiveness. Indeed, it probably ended up accelerating policy failure. The employment of statism as a policy-making strategy was undermined by the structural weaknesses of the state.

Whence the constraints to privatization? Predominantly, the literature views privatization as plagued by a range of obstacles emanating from the sociopolitical and economic context: hostile political-cultural surroundings such as 'a resurgence of the pro-state coalition' or 'old-fashioned nationalism [rearing up] defiantly against the prospect of foreign investment' (Feigenbaum *et al.* 1999, p. 32); a 'social formation associated with a particular type of social regulation – one which . . . was particularly underdeveloped in social capital' (Lyberaki and Tsakalotos 2000); financial market weakness along with the lack of a pro-privatization coalition – also pointing to the collective action problem faced by the diffuse beneficiaries of reforms (Haggard and Kaufman 1992, p. 27); and more specifically, an inability to restructure existing policy networks in such a way as to include new pro-privatization actors and marginalize opponents such as trade unions and middle managers (Wright 2000, p. 530). Alternatively, the failure to consult groups with a direct interest in the policy area has been considered to lead to them blocking the reforms (Jordan and Richardson 1982, p. 88). Typically, obstacles have been attributed to distributional coalitions including status quo business interests (Waterbury 1992, p. 217), or – phrased in relentless public choice terms – the rent-seeking opposition of 'superfluous managers and workers defending their sinecures' (Hanke and Walters 1990, p. 338).

While the political context, the socioeconomic arena, and surrounding policy networks have been the focus of most analyses of privatization failure, far less if any attention has been devoted to the strictly intragov-

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overnmental politics of privatization and the obstacles emanating from state organizational structures and policy milieus. Moreover, there has been a tendency to rely on the assumption that concentration of policy control at the top government level and the adoption of an impositional strategy would override resistances and facilitate privatization. This assumption echoes the influence of mainstream policy implementation studies:

The final and perhaps least attainable condition of perfect implementation is that those 'in authority' are also those 'in power' and that they are able to secure total and immediate compliance from others (both internal and external to the agency) whose consent and co-operation are required for the success of the programme (Hogwood and Gunn 1984, p. 206; cf. Hood 1976).

Such disposition accords with the policy experience of the British and French governments, chief privatizers of the 1980s and 1990s, who sought to spearhead privatization implementation by maximizing state control. In Britain a centralized, exclusive, interventionist policy style of a strong state developed in tandem with privatization (Richardson *et al.* 1982, p. 13; Richardson 1994; Zahariadis 1995, p. 180). In the contentious British water privatization, the abandonment of consensus-seeking policy consultation for an impositional policy strategy was deemed necessary in order to avoid complete policy failure (Richardson *et al.* 1992). Similarly, French privatizers under the 1986 Chirac government centralized policy command to circumvent resistance emanating from a distinctly pro-public sector sociopolitical environment (Bauer 1989, p. 57). Such centralization of state control was justified by French policy makers on the grounds that 'disposition of the state's assets required extensive cooperation among many economic and financial institutions' (Suleiman 1990, p. 125). The adoption of a statist, impositional strategy in the above cases appeared to facilitate privatization policy success. The strategy was not universal. It was not observed, for instance, in Italy, where privatization decision making was decentralized from government, left to the public holding corporations (Cassese 1993, p. 168).

The effort to maximize government command over the policy process was also a feature of Greek privatization over the first half of the 1990s; its results, however, proved to be considerably less successful than its British or French counterparts. This article seeks explanations for privatization failure at the level of intragovernmental politics and the state organizational constraints surrounding the policy process. Moreover, it seeks to challenge the axiom that a statist, impositional strategy will necessarily maximize policy effectiveness.

Greek privatization was initiated by the 1990 conservative government of *Nea Demokratia* (ND), and was continued more reluctantly by the 1993 socialist government of PASOK under Andreas Papandreou. It was accelerated after PASOK's re-election in 1996 and 2000 under premier Kostas Sim-

TABLE 1 *Major privatizations in Greece (1990–99)*

Year	Company
1991	Bank of Piraeus
1992	AGET cement
1992	Athens Bus Company (renationalized in 1994)
1992	Eleusis Shipyards
1993	Bank of Athens
1993	Hellenic Sugar
1994	Neorion Shipyards
1996–99	Greek Telecom (OTE) (minority tranches)
1997	Bank of Attica
1998	Bank of Crete
1998	Bank of Central Greece
1998	Bank of Macedonia-Thrace
1998	General Bank
1999	Ionian Bank
1999	Olympic Catering
1999	Corinth Canal
1999	Athens/Saloniki Water Supply
1999	Athens/Saloniki Port Authority
1999	Duty Free Shops

itis, benefiting from the accumulated policy learning to produce more successful results (Pagoulatos 2000 and tables 1–3). The article focuses mainly on the 1990–93 period of the ND government for the following reasons: (a) it was the period in which the institutional groundwork for privatization was laid establishing the legal framework followed (with minor deviations) by the post-1993 socialist governments; (b) it was a period of strong officially proclaimed commitment to privatization, and yet poor actual results if not outright policy failure (cf. Haritakis and Pitelis 1998). This failure had a lot to do with the polarized opposition of PASOK and the Left to privatization, as well as with the ND government's frail parliamen-

TABLE 2 *Privatization outcomes (1990–93)*

Holder	Privatizations completed	Privatizations failed
Government	Two mobile telephony licenses, Athens Bus Company, tourist enterprises, abolition of trading companies.	OTE, electric power plants, Public Gas and Public Petrol Company, 2 oil refineries, 8 casinos, various tourism assets
IRO	AGET and 23 companies	33 companies
National Bank	Bank of Chios, Bank of Athens,	National Housing Bank,
HIDB	8 companies	2 companies
Commercial Bank	9 companies	Hellenic and Neorion Shipyards, 5 companies
Agricultural Bank	Bank of Piraeus, Eleusis Shipyards, one company	Bank of Attica, Investment Bank, 3 companies
	Hellenic Sugar, 9 companies	Bank of Central Greece, 25 companies

Note: A wide number of minority holdings are not included.

TABLE 3 *Profile of ND government's privatization programme (1990-1993)*

Pressures, rationale, objectives	Result
EC legislation	Only in breaches of competition High in AGET and shipyards Medium - high (raise privatization revenue)
Obligations from EC convergence programme and loan	
Ideological	Medium - High
Changing nature of industry	Low (OTE)
Capital needs of state-controlled firms	Medium (major state-controlled banks, OTE)
Improve business efficiency, rationalize portfolios	Medium - High (SCB subsidiaries, AGET, OTE)
Reduce public deficit	High (ailing and indebted subsidiaries)
Raise revenue	High (AGET, OTE)
Enlarge stock exchange capacity	Low
Build 'share-owing democracy'	Low
Attract foreign investment	Medium (Bank of Athens, shipyards, OTE)
Undermine trade unions	Medium (Athens Bus Company, Hellenic Shipyards) Low
Satisfy pro-privatization coalition	
Privatization models and methods:	
Trade sale - public auction	High
Liquidation	High
Resort to capital markets and flotation	Low - Medium
Public tender offer	Low (Bank of Athens)
Employee buy out	Low (one small firm)
Distribution of shares to employees	Low
Leasing and management contracts	Low - Medium
Public construction projects on BOT (build-operate-transfer) basis	Medium - High (Athens metro, Sparta airport, etc.)
Contracting out	Medium (financial valuations)
Privatization features and policy context:	
Restrictions to foreign ownership	Practically none
Typical obligations imposed on privatized businesses	Payment of sale price, employment guarantee, investment guarantee
Institution of non-governmental regulatory bodies	Only National Telecommunications Commission
Stock exchange	Weak
Institutional investors	Mainly banks
Investment culture	Bank deposits or government bonds, not shares
State of firms under privatization	Predominantly ailing
Constraining factors and their impact:	
ND party apparatus	High
Non-IPC government ministers	High (in their controlled public companies and agencies)
SCB managers; company managers, liquidators	Medium - High (when obstructive)
Trade unions	Low - Medium (small firms); High (shipyards)
Competing business interests	Low - Medium; High when allied with media owners
Opposition press	Medium - High
Lack of market interest	Medium
Fear of stock market saturation or market crowding-out	Low - Medium
Legal and bureaucratic problems	High

Comparative sources: Vickers and Yarow 1988, p. 157; Gayle and Goodrich 1990; Ramanadham 1993; Clarke and Pitelis 1993, Lioukas, 1993, INTOSAI 1994; Wright and Thompson 1994

tary majority of two seats, ultimately leading to its premature collapse from power in October 1993. However, policy failure also had a great deal to do with the serious organizational weaknesses surrounding policy implementation, weaknesses associated with the government's limited resources in view of its chosen impositional strategy. The article focuses on this latter set of factors.

THE INITIAL PHASE AND THE INTERMINISTERIAL PRIVATIZATION COMMITTEE (IPC)

At first sight the institutional framework for privatization put in place directly after ND's ascent to power in April 1990 seemed to guarantee a streamlined policy-making process. As early as May 1990, ND established an Interministerial Privatization Committee (IPC), comprising the ministers of National Economy, Finance, and Industry. The IPC undertook to co-ordinate privatization by setting the agenda, determining which companies would be privatized, defining the time schedule and procedures, supervising the process and deciding which rules would apply in each case. The large majority of the companies that entered the programme comprised industrial and other subsidiaries of state-controlled banks (SCBs), as well as all the ailing enterprises under the Industrial Reconstruction Organization (IRO), a public holding corporation founded in 1983. In that initial phase, the IPC had no direct executive authority, only a consultative capacity. In privatization-related matters where government decisions were required, decisions were taken by the Cabinet and not by the IPC, though upon IPC proposal.

This early framework, combined with the limited privatization commitment of the government's two initial National Economy ministers, produced poor results. The two successive National Economy ministers and IPC chairmen of the first one-and-a-half year of the ND government term – centrist-leaning pragmatists rather than ardent neo-liberals – were primarily preoccupied with the urgent macroeconomic imbalances. They were happy to delegate privatization responsibility without applying particular pressure, especially given the policy's contentious nature. On the other hand, the loose and non-institutionalized structure of the IPC also meant that the IPC Secretariat could take very little initiative, and would more or less follow the minister's cautious pace.

THE POLITICS OF THE 1991 PRIVATIZATION LAW

By the middle of the government's term it was becoming alarmingly clear that privatization was dragging its feet. But for a very few IRO and SCB firms, the large majority remained immobilized amidst legal problems, bureaucratic obstacles, and low market interest (EIU 1992, p. 9 ff.). Towards the last quarter of 1991, one of the government's leading neo-liberals was appointed as the new Industry minister, with full privatization responsibility, which elevated privatization to the front line of government pri-

orities. A new framework law was devised by the new Industry minister in December 1991. The new privatization law reversed the previous hands-off government doctrine (which ironically had ended up necessitating repeated top-level interventions to resolve constant procedural dilemmas) by defining detailed privatization and special liquidation procedures, and setting very tight deadlines for implementation. In brief the law provided that whatever company could not be sold through the defined privatization methods (sale of the entire company, sale of the total or majority equity stake, sale through stock exchange, sale of particular fixed assets, leasing, transfer of management) would enter the process of special liquidation. Upon the court ordering a company's entry to special liquidation all its workers would be made redundant, unless the creditors (SCBs) required the retention of all or some of the company's workforce; if after three consecutive public auctions no interested investor emerged, the company would close down, its assets sold one by one (Law 2000/91, art. 14).

The new framework upgraded the IPC's status by institutionalizing it into a formal governmental body with full executive authority on all privatization-related matters, its decisions treated as final without reference to Cabinet (cf. Mackie and Hogwood 1984, p. 299). For the sake of ensuring prompt compliance to IPC instructions the privatization law re-included SCBs to the wider public sector (from which a 1990 law had formally exempted them) and endowed IPC with increased authority including the ability to determine which bank subsidiaries would enter the programme against the will of their holder institution and to oblige the latter to move forward with the privatization.

The law, drafted by a small team of free-marketeer advisers to the Industry minister, was modelled mainly after the Argentinean privatization law while taking into account the British experience; the latter was broadly regarded and invoked by all government privatizers as a paradigm of policy success. (On the contrary, French privatization was specifically mentioned by the Industry minister as a negative model because of its obstacles and delays – Parliament Minutes, 4 December 1991, p. 1943.) However, the Greek post-1991 'privatization model' shared only a few similarities with the Thatcherite model (see Marsh and Rhodes 1992; Marsh 1990), apart from their common non-corporatist, non-consensual policy style – perhaps a bit of the ideological rhetoric too. First of all, the promulgation of a framework law for privatization already signified a diversion from Thatcherite privatization. Unlike the British and the Spanish governments of the 1980s, but quite like the French (Maclean 1995, pp. 280–2) and the Portuguese (Pagoulatos and Wright 1999), the ND government by 1991 had decided that a specific legal framework was needed to overcome both the holders' reluctance to privatize ('holders' meaning the IRO or SCBs or government ministries officially in control of the privatizable companies) and the ambiguity of the existing legal regime. Then, unlike the British and the French, the role of the Greek Finance Ministry was never central in privatization.

Moreover, contrary to the British policy of restructuring companies before privatizing them (Heald 1989, p. 36 ff.), the ND privatizers had taken the early decision to privatize companies, including the heavily ailing ones, directly as they were. This strategy had resulted from the failed experience of IRO in the 1980s (whose aim in theory was to restructure its subsidiaries and return them to the private sector), as well as from a sober appreciation of the practical difficulty of finding professional *and* politically co-operative managers committed to both overhauling and privatizing their companies.

The privatization law's rationale was grounded on a theoretically informed 'pessimistic' perception of the negative reflexes of government officials towards privatizing, i.e. surrendering control over some of their sphere of influence. From this stemmed the law's most striking internal contradiction, that while defined by fundamentally anti-statist objectives it employed heavily statist means for obtaining them. Indeed, in order to confront the anticipated resistance of government ministers and officials, the Greek law granted the IPC increased if not excessive power. To give an indication of its severity, the law obliged every minister to submit within 30 days a detailed proposal on the direct privatization of controlled entities and organizations falling under their jurisdiction. Failing that deadline, or in case of a negative proposal, the IPC was authorized to overrule the minister by deciding itself on the companies and entities to be privatized.

True to the law's underlying public-choice expectation, government ministers were not prepared to cede control over their own turf. By the end of the deadline including all subsequent extensions, very few ministers had submitted proposals, and the government 'barons' were preparing their fists for their colleague of Industry should he attempt to intrude into their domain. The intragovernmental conflict instigated by the new privatization law extended into the IPC itself. In its effort to empower the Industry minister and centralize the process under his authority, the law established an unorthodox dyarchy regime under which the IPC continued to be chaired by the National Economy minister (with the Industry minister and the Finance minister as regular members, and the minister supervising the privatizable entity under discussion as *ad hoc* member, making decisions subject to majority rule) but the responsible authority for submitting proposals and supervising the overall project of privatization became the Industry minister.

In short, the new formal structure was personally tailored to suit the Industry minister, an ardent privatizer, granting him increased power with the single aim of breaking the deadlock. However, removing privatization from the responsibility of the economic ministers ran against conventional wisdom, as it deprived the process of probably its strongest driving force, namely the revenue-raising incentive. From the British Treasury to the French Ministry for the Economy and the Ministry for the Budget (Dumez and Jeunemaitre 1994), to the German Federal Ministry of Finance (in the 1983 CDU privatization program) (Esser 1994), throughout Europe privatiza-

ation was overwhelmingly handled by economic ministers. The Greek arrangement was a non-viable one. The advent, in February 1992, of a new ambitious privatizer in charge of both the National Economy and the Finance ministries made that all the more evident. The new National Economy minister reclaimed his ministry's central role, reinvigorated the government's privatization strategy advisers, and reactivated the IPC secretary under the National Economy Ministry, thus leading to a clearly bipolar structure in the IPC. Intragovernmental dyarchy over privatization and the unclear boundaries of each ministry's exact sphere of responsibility bred antagonism and constant friction that further aggravated the already problematic implementation of privatization. This point will be further illustrated later on.

VOLUNTARISM AND THE LACK OF PRIOR EXPOSURE

No combination of good intentions and voluntarism on the privatizers' part could offset the lack of internal organizational and expert policy resources. From its first moment, the government's programme was confronted with the effects of the complete absence of anything similar to a privatization experience on the part of all main policy makers. The Greek technocrats who were called in to assist the IPC circle were also more or less inexperienced on the practical side. The government had to rely exclusively on the appointed foreign privatization advisers, who assumed duties in January 1991, and whose international technical expertise was nevertheless offset by their unawareness of the various domestic impediments.

Put briefly, privatizing zeal was not matched by prior policy preparation, nor even a policy precedent of privatization. While privatization, at least of the IRO and SCB ailing subsidiaries, was on the ND's election agenda since 1987, no systematic elaboration of its policy and procedural specificities had taken place. During the 1986–87 stabilization programme under PASOK some first but ineffectual steps had been taken to overhaul certain IRO firms and transfer them to the private sector. A similar initial policy formulation effort was made during the short-lived 1989 coalition governments, which, however, remained mostly at the stage of documenting the scope of the IRO problem. So not only was a concrete idea of the actual scope of the state-controlled sector lacking, but there were practically no government officials who had thought out privatization at a policy level instead of a merely ideological one. (Of course, the gravity of these observations is notably mitigated if one considers that even those most zealous Thatcherite privatizers have been described as lacking a 'grand strategy', characterized by 'ad hocery, incrementalism and rapid learning and reaction when things went wrong' (Jackson 1992, p. 11)).

UNINVOLVED: THE ROLE OF PUBLIC BUREAUCRACY

In systems with a developed and autonomous civil service, lack of relevant prior knowledge of government policy makers over their new realm of

responsibility is offset by the accumulated experience, standard operating practices and 'routines' of the tenured ministerial bureaucratic apparatus (Suleiman 1974, p. 165 ff; Dogan 1975; Peters 1979, pp. 347–9; cf. Rose 1987; Peters 1992, p. 296 ff; Davis 1996). Even if these features accurately portrayed the state of the Greek state bureaucracy (which they certainly did not – Spanou 1992; Sotiropoulos 1996), the latter would still have lacked the possibility of filling in the gaps of ministerial inexperience for the simple reason that it had never witnessed anything similar to privatization before. But, aside from that, public bureaucracy in general was more or less incapable of substantially assisting privatization, if not at times prone to obstruct it.

The civil service apparatus was seriously disengaged from privatization-related policy making and implementation. Largely distrusted, ministerial bureaucrats were left outside the IPC and broader government meetings where privatization was discussed. Policy making was dominated by the 'political leadership' of the ministries (ministers, undersecretaries, secretaries general, and their advisers) and the managers of public companies and SCBs, who nevertheless were government/political appointees and outsiders of the public administration corps. The problem was not so much that the flow from civil service to government was inadequate, ministers received regular input from their departmental bureaucracies. The problem was rather that the bureaucracy was largely isolated from the radical change in government direction, was outside the 'policy spirit', and was thus impaired when it came to serving as an effective executive instrument.

The exclusion of public bureaucracy from privatization decision making by the ND policy makers was one aspect of its relationship with the government. The bureaucracy's unwillingness to become involved was the second and even stronger aspect. Higher civil servants were generally accustomed to ministers operating with their own circle of advisers and with a minimal use of tenured personnel, mostly with reference to purely bureaucratic matters. Public bureaucracy was always imbued with deep-rooted insecurity and suspicion toward its government superiors, dating back to traumatic experiences of partisan appointments, promotions and eliminations at the higher echelons. If one policy probably mobilized those reflexes of civil service insecurity to the extremes, that was privatization. Career bureaucrats in government bodies involved in privatization felt weaker than any policy maker and unprotected from the political controversy privatization invited. They knew little about the real stakes underlying privatization, but suspected them to be reasonably high. They were aware of how easy it was for anyone participating in contentious policies to become fatally exposed by opposition media. On the other hand, the vast majority had nothing to gain by getting involved – though an eager few would get involved if there was something to gain. In the late 1980s, the legal services of the Finance Ministry had been implicated by the justice system and the press in an

obscure settlement for which, as obliged, they had given their legal opinion. So recent experience also served as a deterrent. Consequently, for example, tenured legal advisers of ministries would refuse to take responsibility and place their signature under even the minor details of privatization-related documents, referring everything to the upper hierarchical levels all the way up to the Assembly of the Legal Council of the state. At the very least all this entailed significant delay.

Differently viewed, the less the resources available to government policy makers the higher the need to utilize civil servants. The National Economy minister, supported by his underministers, secretaries general, the IPC secretary, the Council of Economic Advisers and the government's privatization advisers, probably had less need to rely on tenured resources than the Industry minister, who only had the backing of his underminister (and that far from secured), his secretary general, and the privatization secretary. As the latter's role from 1992 required constant monitoring of the entire privatization process, the tendency there to rely on career civil servants was, by necessity, higher. Their utilization was selective both in terms of the people targeted and the nature of the assigned tasks. The Privatization Secretariat looked for politically like-minded civil servants with pro-privatization views – a selectivity that can be considered a way of actively politicizing bureaucracy (Rockman 1992, pp. 159–60). Apart from those recruited by the Industry Ministry, assistance was also sought from other ministries whose controlled entities were earmarked for privatization, mainly those of Health and Agriculture. In some cases, for instance the Agriculture Ministry, such co-operation was obstructed at top ministerial level. Ministerial bureaucrats were normally assigned routine tasks such as providing information on their controlled entities and regularly reporting on their privatization progress, instead of being asked, for example, to evaluate privatization possibilities or to suggest ways of facilitating the process.

Essentially unassisted by, and largely distrustful of the civil service, the IPC policy makers attempted to rely extensively on small and flexible task forces of usually younger enthusiasts surrounding top government officials. However, these teams, as well as the foreign advisers, faced serious problems of co-ordination not only with each other but mostly with the ministerial bureaucracies which had inevitably to carry out much of the implementation. Multiple parallel smaller centres operated, producing a flow of usually unarticulated and generic policy proposals, which however remained without further follow-up because the main IPC policy makers in whose hands these projects ended were overengaged with a host of other matters. A constant bottleneck existed at the implementation stage that annulled the utility of any output produced in the preceding stages.

POLICY OVERLOAD AND THE PROBLEM OF HUMAN RESOURCES

The weaker the role of ministerial bureaucracies and the more top-centralized the process, the more different ministerial approaches and styles mattered. A reduced privatization commitment on the part of a National Economy or Industry minister directly meant less privatization zeal within the IPC, and thus a sense of weaker government pressure exerted upon privatizing holder SCBs. But the combination of top-centralization and weak bureaucratic apparatuses also meant there were limits to the amount of output even the most committed privatizing minister could produce. The more important the projects, the greater the complexity, the higher the stakes, the more forceful the resistances and competing interests, the stronger the requirement for a personal ministerial involvement, and the weaker the possibility for delegation to the underminister or secretary general. Evidently, a minister could only afford to manage a limited number of projects each time, given that privatization was, after all, only one among many responsibilities for both the National Economy and the Industry ministers. If important and urgent decisions had to be taken and could only be taken at the ministerial level or higher, then inevitably many significant issues would stall, and delay at the top level would induce similar delays at the lower echelons where decisions were implemented.

Neither could limited availability at a ministerial level be offset by tighter and better staffed task forces. The strain on the problem of scarce responsible human resources was not so much on the number, nor even on the competence, but on the hierarchical power and ability to confront obstacles and resolve complications. Given the intense resistance to privatization by much of the governmental and party apparatus (let alone powerful economic interests and political opposition forces) it required someone with the clout of a minister to curb the resistance and push through. That said, the composition of ministerial executive staffs was not necessarily of the highest effectiveness. They could assist but they could not undertake implementation responsibilities and they were often diplomatically ignored by turf-minded ministerial services and state agencies. Finances were tight to allow the hiring of professionals other than the official privatization advisers – the government budget provided for privatization revenues but not for privatization costs, and these were far from negligible. Given the inadequacy of staffers and the reluctance of bureaucracy, underministers and secretaries general had to grapple with all sorts of small problems, but even after that a good deal were still left to be finally resolved personally by the minister or the IPC. All in all, a set of organizational conditions combined in overloading the higher IPC echelons (from ministers to state secretaries) with every privatization-related matter and decision, undermining output effectiveness. Consequently a tendency to serious short-termism characterized the government's entire privatization apparatus. They were forced to treat

problems 'as and when they came', with very little chance of taking a long-term view, designing strategy, examining alternative prospects and weighing policy effects against each other.

The combined consequence of policy overload at the top ministerial levels, and general weakness, inflexibility and noncommittal disposition at the lower levels, was a serious lack of executive follow-up and implementation of government decisions. Repeatedly decisions were taken in closed discussions between top government officials, and these remained without any sort of follow-up action. Other times, tasks were initiated by the ministers and delegated to their assistants, until they were simply abandoned and forgotten buried under the load of pending jobs. In hierarchical structures, such generalized lack of policy follow-up possibly suggests a serious deficit of management capability in the top ministerial posts; however, given its routine character, the problem is more easily attributable to the feeble organizational structures and resources of the government machine. The 'superimposition' of a functionally 'alien' ministerial circle of appointees upon the ministry's tenure, bureaucratic apparatus, and the weakness of subsequent channels of communication between those two separate substructures, formed the organizational basis for executive discontinuity.

'THAT'S HOW IT IS BECAUSE THAT'S HOW IT IS': CAVALIER MINISTERS AND CONTEMPT FOR DETAIL

Being located at the top, the lack of an adequate follow-up was not a sole function of organizational constraints. It also reflected a ministerial policy style characterized by probably excessive reliance on informal decision making. As already mentioned, interaction within the IPC circle under all three National Economy ministers took place under considerable informality. The centralization of decision making at the close top government level tends to breed an air of excessive self-reliance if not arrogance, particularly given the nonexistence of a strong public bureaucracy to filter ministerial voluntarism. Adding informality to that mixture (serious issues being discussed often only between ministers, typically without the presence of civil service officials or the expert privatization advisers, without minutes being kept) could further encourage a slack attitude with regard to policy detail. Indeed strong evidence exists of an incautious disposition of IPC ministers *vis-à-vis* serious technical aspects (for example, in the privatization of cement industry AGET and the attempted privatization of the Greek Telecom). Evidently, the primary focus of top government officials was on the political side, may be for some on the policy side too, certainly not on the technical side. However, a heavy disregard of the technicalities also ended up undermining the quality of policy outcomes. A reliable insider summed up the problem:

[M]any decisions were clearly based on gut feeling. 'That's how it is because that's how it is'. In addition, there was a chain of acts and decisions clearly contravening the recommendations of experienced

advisers and bankers who were alerting to the mid- or short-term future consequences of a certain arrangement (...). It was not out of self-interest that expert recommendations were ignored but because a state banker or underminister would say: 'uh, come on now...'. They were not considering the repercussions, everyone thought they knew everything (interview with higher government appointee).

The above attitude is consistent with the policy style that prevailed particularly after the 1991–92 advent of the ND government's most committed privatizers to head the Industry and National Economy ministries respectively. Both were haunted by the poor privatization performance of their predecessors and felt a strong urge, intensified by time pressure, to deliver visible policy results. Being strongly goal-oriented meant that they tended to treat procedural details with disregard if not sheer contempt. Such matters not only included bureaucratic complications, where indeed a resolute ministerial attitude helped to overcome unnecessary delays, but also tended to involve the entire 'due procedural' and legal structure established to guarantee the transparency required for reasons of protection from political polemic and for the purpose of safeguarding the credibility of privatization. At times the urge to conclude pending procedures was such that ministers exercised forceful pressures upon state bankers or the IRO to move to a 'quick fix' even at the cost of discrediting the process. In such cases, however, the IPC ministers' or underministers' occasional zeal was often frustrated by the lack of government willingness to undertake the cost of openly endorsing the disputable privatization procedures. Such endorsement could be provided, for example, by vesting orders to SCB managers with the power of parliamentary legislation or at least a formal authorization by the bank's general shareholders assembly. This type of backing was repeatedly demanded by SCB managers as a necessary prerequisite for streamlining privatization in cases where a procedural acceleration might appear dubious. The fact that such backing was often not provided indicates that the government overall was not willing to become exposed to harmful allegations for the sake of expediting privatization.

A cavalier ministerial attitude to detail was also encouraged by another factor. The government was aware that two main aspects of privatization deals made it particularly vulnerable to political criticism: price obtained and employment guarantees. At least for their major subsidiaries, SCB administrations and the IRO had been instructed by government (to a certain extent against European Commission directions for taking only price into account) to place their emphasis on obtaining the best possible terms for both. This inevitably meant being less demanding on the remaining aspects of the deal, such as the buyer's reliability or the solidity of the granted legal guarantees. Such detailed and complicated contract clauses were not easily subject to political exploitation since it was also difficult for the opposition press to figure them out. Thus government and SCB policy

makers tended to attach secondary importance to them. Considerations of political cost also ended up encouraging a certain short-termism in evaluating the investors' real business prospects, a short-termism also grounded in a realization that the SCB holder or even more, the government, could not be held accountable for a possible collapse of the privatized company at a later phase. (Such was the case with the Eleusis Shipyards, whose real condition was far worse than the new private ownership had estimated it to be, leading to a subsequent collapse of the company).

UNDERMINING CENTRALIZED CONTROL: OVERLAPPING AUTHORITIES, BUREAUCRATIC COMPLICATIONS AND DEPARTMENTAL PATRIOTISM

Overlapping ministerial authorities and serious functional ambiguity accounted for a good deal of bureaucratic complications and delay. The case of the Hellenic Industrial Development Bank (HIDB), holder of a broad portfolio of industrial subsidiaries, was revealing. The HIDB was formally supervised by the Industry Ministry but the 100 per cent shareholder and subsidizing state authority was the Finance minister, who also held most of the power of appointing the bank's management. So the Industry minister was responsible for supervising the HIDB, being hierarchically superior, but was unable to control the bank's administration by imposing dismissal or replacement. On top of that, the National Economy Ministry, the official supervisory authority over the entire banking system, also had its own claim of control over the HIDB. Under the façade of unitary government control, irrational and ossified organizational structures encouraged the inherent tendency – result of the conservative party's personalistic tradition – for intragovernmental feudalization. Inevitably the ambiguity of ministerial control created friction between the Industry and the Finance Ministries, forcing them to compete in order to assert authority over certain spheres of the HIDB's operation. A similar case was the IRO and its controlled subsidiaries, where the Industry minister was the supervising authority but the Finance minister was the shareholder.

A typical set of problems arose from the difference of views not so much between the overlapping ministers – whose disagreements could theoretically be settled more easily within the IPC framework – but among their ministerial apparatuses. Indeed, defending departmental jurisdiction and resources from incursion on the part of other competing ministries was one of the few causes for which tenured ministerial civil servants would even attempt to assume initiative. In such cases, departmental patriotism of the bureaucracy would tend to override the proclivity towards avoiding workload and responsibility. Higher ranking, ambition-driven bureaucrats, despite their aforementioned extreme caution and insecurity, would tend to consolidate if not expand departmental control also in order to accommodate their minister (a conclusion based on interviews with two government ministers and a higher ranking civil servant). In this context, the attitude of

'standing for the department's rights' could be interpreted as a pre-emptive adaptation of higher bureaucrats to what they regarded as their minister's political expectation from the job, namely maximizing available opportunities for power and control. In any case, departmentalism – even if more a result of intragovernmental feudalization than an expression of bureaucratic autonomy – tended to constrain the efficient formulation and implementation of IPC decisions (cf. Laver and Shepsle 1994, p. 307, *passim*).

Ministerial bureaucrats imbued with the culture of departmental consolidation would often carry these views in representing their ministry's interests against those of a competing ministry. In one known case, the tenured legal counsel of the Industry Ministry acting on behalf of the HIDB's interests and in defence of an HIDB subsidiary indebted to the state, confronted in court the legal representative of the Finance Ministry. The HIDB representative argued in support of a debt settlement in order to enable the company's privatization, and the representative of the Finance Ministry refused to accept the settlement. The immediate paradox of this example lay in the clash of the perceived interest of the direct shareholder (Finance Ministry) not only with that of the 'competing' ministry (of Industry) but also with that of the controlled bank (HIDB) whose administration the shareholder supposedly had the power to appoint and dismiss. This is also an example of how unanimous IPC decisions for privatization were derailed at the stage of implementation by the bureaucracies of those very same ministries presumed to be forcefully in support of swift privatization. Such evidence also provides an eloquent caveat against overreliance on a notion of 'government' will and determination; the government's assumed unitary corporate logic is in reality far weaker and more segmented than it appears to be (cf. Peters 1995, p. 218).

So the IPC was called to operate amidst an extremely adverse legal-institutional status quo. While blessed with the absence of constitutional obstacles (which had constrained for example French and Portuguese privatizers), Greek privatizers were plagued by overlapping and interlocking public control regimes that very often rendered unattainable the vertical government command that the privatization law attempted to establish.

CABINET DIVIDED AND THE ROLE OF THE PRIME MINISTER

This deep government fragmentation underlay the discrepancy between heroic privatizing proclamations and poor privatizing results. Very often over zealous ministerial or prime ministerial pronouncements were at odds with the government's lack of real determination to ignore resistance and move ahead. To quote a government insider:

Never mind the legal and institutional obstacles, privatization stalled because many of the ND government members (including IPC ministers) who wanted it didn't know what it took, while many of those who pre-

ached it because it was part of ND's program were in fact dead against it (interview with higher government appointee).

For a catch-all conservative party with a rather centrist economic background, which had officially espoused a market-liberal agenda in as late as the mid-1980s, that should hardly seem surprising. Not only had the ND itself achieved state expansion in the immediate post-authoritarian period, and some of the government's leading figures were concerned about the socio-economic repercussions of privatization, but – perhaps more importantly – a steady majority of cabinet members were increasingly worried over its swelling political cost. Indeed, as conventional public choice analysis would anticipate, privatization was politically deleterious in almost every respect. It confronted well-entrenched public sector interest groups, it disaffected powerful business interests benefiting from preferential government contracts, it exposed government to constant allegations of corruption which could even involve criminal charges. From the point of view of government members', privatization meant shrinking control of politico-economic resources, diminished capacity for patronage, and growing dissatisfaction with a client-driven party apparatus. Meanwhile no particular pro-privatization coalition had emerged (especially given the financial sector's underdevelopment and the government control of nearly 80 per cent of the banking sector in the early 1990s), nor any of privatization's alleged benefits dispersed among the broader public in the form of presumably better services, reduced public deficits, and higher market efficiency.

A general obstacle to implementing privatization came as an indirect effect of government feudalization. Apart from the IPC's bipolar structure that bred antagonism, the main hindrance was located with non-IPC ministers. The presence of cabinet members clearly opposed to an extension of privatization to anything more than ailing SCB and IRO subsidiaries undermined the government's policy credibility. Intragovernmental opposition to the privatization of major public enterprises and utilities vested the policy with negative connotations that ended up undermining the privatization of even the less controversial ailing subsidiaries. In addition, ministers voiced concern over the unemployment effects of closing down ailing firms. Noncommittal attitudes or outright opposition from the government's ranks gave arguments to a host of privatization sceptics and granted inward acceptance to their own critical stance. As a government official put it: 'When the Transport minister is dead against it and he controls postal service, bus transport, the water corporation, Olympic Airways, and the Greek Telecom, then that's it'..

Indeed, far from a single-minded executive body, the government repeatedly came close to giving the impression of a 'federation of departments' (King 1994, p. 213), a collective organization in which different views, even on central issues, would be tolerated for the sake of power balances. The

existence of multiple centres of power below the Prime Minister, strong enough to retain their sphere of control intact (often in order to counterbalance the control of an opposite power centre), was also exhibited in the endurance of hierarchically subordinate administrations which nonetheless openly opposed the government's official policy. For example, the government-appointed administrations of OTE were explicitly against the company's privatization and yet retained their posts.

The general governmental unease toward the political repercussions of privatization could not leave the effectiveness of the small IPC circle unaffected. Whenever a company under privatization belonged to the jurisdiction of a sceptical minister, the IPC would face orchestrated procrastination or even blatant refusal of the ministerial apparatus to co-operate – a pattern that was also observable in British privatization (Foster 1992, p. 110). There were cases of ministers or secretaries general who refused to sign any privatization-related contract; in other cases IPC-appointed advisers were prohibited from working inside specific ministries, all information withheld from them, their phone lines disconnected. But even if IPC members were all ardent privatizers, and if government opponents could be circumvented, even then the IPC – though an autonomous decision-making body after the 1991 privatization law – would still have to be in accord with the intragovernmental climate.

That was where the Prime Minister's role became decisive. From the functional requirements of the office, the role of a Prime Minister is one of steering government towards implementing its main policy priorities as much as it is one of striking the right balance among conflicting objectives. In as much as the 1990–93 Prime Minister, Constantine Mitsotakis, was a reform-minded, EU-pressured premier, he was also the head of a heterogeneous government shaken by internal antagonisms as well as the leader of a mass party mechanism with its own state-possessive logic. While a true believer in economic liberalization, premier Mitsotakis was (along with Papandreu) one of the two remaining 'dinosaurs' of Greek political life, a master of political manoeuvre, a centrist by political origin, moderate by temperament, a middle-of-the-road pragmatist by conviction. These constituents of the personality factor delineated a leadership style characterized by highly developed political instinct; they suggested a thorough appreciation of the various political implications of policy options, and indicated a readiness of the premier to operate with full recognition of the surrounding 'objective' political constraints.

Indeed, from the moment Mitsotakis abandoned the plan of pursuing a new comfortable parliamentary majority by instigating yet another early general election under a new electoral system of reinforced proportional representation, the government was surrendered to all the destabilizing possibilities that its frail two-seat majority could imply. The narrow parliamentary lead maximized the bargaining power of dissident MPs, intensified the usual horse-trading for the distribution of political resources, and sub-

jected the government to the imminent threat of an overturn. The early expectation that the ND's parliamentary group would be kept cemented behind the unchallenged leadership of its premier was soon to dissipate as the government was faced with consecutive 'hard' decisions that added politico-ideological differences to the already lurking interpersonal antagonisms. The combined conditions of numerical frailty in Parliament, relative nonconformity in government and entrenched client expectations in the party dictated to Mitsotakis an extensive recourse to the art of political compromise. The need to keep together a Cabinet divided over turf and issues while implementing an unpopular stabilization programme meant a constant effort to retain intragovernmental balances and placate powerful cabinet barons (cf. Weller 1997; Andeweg 1997).

Consequently the Prime Minister sought to derive a synthesis between the privatizing zeal of IPC reformers and the 'old politics' largely represented by the rest of his government and party apparatus. On issues of major priority, such as the privatization of the AGET cement company and the OTE – both important because of their high expected revenue – the premier defied opposition and backed the IPC effort. On policies threatening to cause serious intragovernmental crises which would outweigh their expected economic return he tended to call for retreat. For example, the IPC decision of closing down over a hundred public agencies and companies controlled by other ministries was overturned by Mitsotakis in a turbulent cabinet meeting, despite the protest of a minister-member of the IPC that, by government's own legislation, IPC decisions were vested with the formal power of cabinet resolutions thus not being subject to cabinet revision (cf. EIU 1993, p. 7). In repeated cases of IRO and SCB larger subsidiaries where political cost was mounting, the premier restrained the privatizing zeal of IPC ministers.

IN CONCLUSION: THE ELUSIVENESS OF STATIST EFFECTIVENESS

Our state-centric approach of the Greek case provides an argument for explaining privatization failure by looking beyond unidimensional public choice explanations or the usual focus on the sociopolitical and economic context. Instead, two additional important factors usually overlooked by the literature have been pointed out as crucial: intragovernmental politics and the constraints generated by state organizational structures.

Our case study also serves to cast doubt on a mainstream expectation that statist, impositional policy making should maximize privatization policy effectiveness. This addresses what has come to be known as the 'paradox' of privatization: while a policy of reducing the government sector, privatization is often implemented through intensifying government control over the policy process (Wright 1994, p. 41; cf. Richardson 1994). The Greek experience points to a second 'paradox': despite the effort to intensify government control (or indeed because of it) privatization has led to policy

failure. Indeed, a fully-fledged mobilization of state control for the purpose of policy making effectiveness in the case of privatization may prove self-defeating. Statist unilateralism may accelerate policy failure if the preconditions of state resource capability are missing. The centralization of full hierarchical government control over privatization may not only be hampered by persistent organizational impediments but may in fact contribute to undermining that same objective of policy effectiveness. The concentration of momentous privatization authority in the hands of one or two ministers, combined with the inadequacy of supportive policy substructures, created a tendency of personalizing power, breeding an air of perhaps excessive informality and arrogance towards crucial policy detail. That led to ill-devised strategies producing defective outcomes that further exacerbated the political controversy surrounding privatization, while encouraging the non-cooperative attitude of cabinet members and state apparatus. The excessive concentration of power, the choice of 'imposition over negotiation and agreement' (Rhodes 1997, p. 217) polarized the opposition of competing governmental actors and bureaucratic milieus (cf. Rockman 1989, p. 185). It appeared as antagonistic to other government departments, thus further contributing to the state fragmentation that undermined effective policy implementation.

From the limited resources in the top government milieus, to the internal divisions in the Cabinet, to the ambiguous and overlapping organizational structures and routines linking government bodies and enterprises, and to the weakness of ministerial bureaucracies, the impact of constraints appeared overpowering. Against those constraints, government privatizers stood pressured by the 'objective' forces of economic necessity, driven by ideological zeal, ambition or sheer political interest, and equipped with what they probably perceived to be their most vital resource, namely their ability to hierarchically impose their desired policies against all resistance.

Yet, the effectiveness of statist impositional policy making proved elusive. While general privatization policy was formulated unilaterally inside a small government circle from which societal actors and interest representatives were excluded, from the moment policy entered the stage of detailed formulation and implementation things turned out differently. At that stage the composition of the policy milieus was altered, and so were the internal dynamics. As the number of involved actors expanded and privatization became exposed to the forces of dissent and politicization, the balance between pressures favourable to privatization and forces opposing it radically shifted in the latter's favour. Consequently, some of the actors in the initial policy circle around the IPC who at the formulation stage might have appeared committed to privatization, in view of the manifested reactions became hesitant, unwilling or even covertly obstructive. Thus, what initially appeared to be a consensus-driven privatizing core executive (Rhodes and Dunleavy 1995) was prevented from bringing about the desired policy

results as a result of its embeddedness in an adverse institutional setting and a conflictive sociopolitical context.

At a deeper level of analysis our case study points to the disjunction between a statist strategy and the structural preconditions needed to render it successful. An effective strategy of exclusive, centralized, impositional policy making presupposes not only the will to act with high policy autonomy from dissenting sociopolitical interests, but also requires the ability to do so. This ability is highly dependent on a range of preconditions typically associated with statism as a structure of state-society relations: strong organizational resources in the hands of state policy makers; a cohesive executive with a recognized ability to speak for the public interest; clearly delineated spheres of departmental responsibility; a capable administrative machine equipped with civil service ethos and able to serve as an executive instrument (Zysman 1983; Evans, Rueschemeyer and Skocpol 1985; Hall 1986; Atkinson and Coleman 1989; van Waarden 1992; cf. Hood 1998, p. 73 ff). The underdevelopment or absence of these conditions seriously impaired the effectiveness of the statist impositional strategy, increasing the chances of policy failure. Depending on these preconditions or lack thereof, an affirmed expression of statist command may signify dominance, but it may also conceal weakness.

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CULTURAL ASPECTS OF EUROPEANIZATION: THE CASE OF THE SCOTTISH OFFICE

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This article takes an in-depth look at the cultural implications of membership of the European Union (EU) for a UK government department. As part of a broader examination of how Europeanization, in its various forms, has affected a range of Whitehall departments, Bulmer and Burch (1998) concluded that the cultural element of change in the UK has been limited in the sense that existing administrative traditions within government departments have not undergone any radical reorientation. The purpose here is to test the validity of these conclusions and in more general terms afford detailed consideration to an area of Europeanization which has tended to be neglected in the academic discourse. This is achieved by way of employing interview and documentary-based source material relating to the area of cultural change as it affected a particular UK department, the Scottish Office. In the event, the piece concludes that the *detail* of the Scottish Office case can be used to confirm Bulmer and Burch's *general* observation that cultural Europeanization has *not* manifested itself to any great extent within UK government departments in the sense that it has entailed wide-reaching changes to administrative approaches and working practices. More generally, the empirical basis of the analysis provides fresh insights into how specific matters, such as training and secondments, have impacted upon the work of civil servants in the UK.

INTRODUCTION

Since the early 1970s and UK accession to the European Community (EC), as it was then known, increasing numbers of government departments in Whitehall have undergone Europeanizing processes of various sorts whereby the structure, culture and decision-making functions of those departments change as they seek to accommodate the ever encroaching effects of the European dimension on their activities (Bender 1991; Edwards 1992; Spence 1993; Armstrong and Bulmer 1996; Wallace 1996; Bulmer and Burch 1998). With specific reference to the *cultural* aspects of Europeanization and for the purposes of definition, culture can be seen to assume two general forms. First, the *working practices* of officials are subjected to change as departments seek to nurture a European expertise, principally through the development of in-house and centrally based facilities for training in EC/EU related matters and through secondments to the UK Permanent Representation in Brussels (UKREP) and the Commission. Second, at a deeper, more abstract level, the question of culture can be seen to revolve

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around the prevailing *ethos* and *outlook* of civil servants as they go about their tasks. In this sense, cultural Europeanization may involve administrative practices and conventions being transplanted from the institutions of the EC/EU to the national bureaucracies. In the extreme this may entail national civil servants coming to accept a 'European way of thinking' whereby the accommodation and pursuit of EC/EU-centred objectives takes increasing precedence over narrower, domestic-based concerns (Page and Wouters 1995; Egeberg 1999).

With reference to Bulmer and Burch's (1998) recent work on Europeanization in the UK, given that their remit extended to consideration of the overarching effects of a variety of forms of change (structural, policy-related, cultural) across Whitehall and how this could be conceptualized using institutionalist theory, their treatment of the specifics of cultural adaptation was by its nature limited. What they did find was that established features of UK administrative culture, such as close departmental liaison and co-ordination and a rigorous attention to policy implementation, arguably continued to determine, in large part, forms of civil service adaptation to the European dimension (Bulmer and Burch 1998, pp. 620–1). In this respect, the extent to which administrative culture in the UK could be considered Europeanized was actually rather limited. However, Bulmer and Burch (1998, p. 621) themselves attach a tentative label to this particular conclusion when they admit that their research 'did not systematically measure the extent to which British civil servants have adapted successfully to the EU.' By implication, therefore, they suggest that the area of cultural change is one which requires further investigation. Additionally, in more general terms this particular aspect of Europeanization merits closer attention because it often, as with Bulmer and Burch, occupies a somewhat secondary status within broader analyses of the decision-making and procedural implications stemming from adaptation processes as a whole (Edwards 1992, pp. 69–71; Wallace 1996, pp. 65–6).

The key purpose of the present analysis is therefore to address a broader gap in the academic discourse and in specific terms test the validity of the limited conclusions offered by Bulmer and Burch. Using new empirical research and existing theoretical commentaries (Page and Wouters 1995; Wessels and Rometsch 1996a and 1996b) it should be possible to develop a clear picture of the extent to which administrative culture in the Scottish Office was actually Europeanized and how far the detail of the Scottish Office case proves or disproves Bulmer and Burch's tentative observations on the impact of cultural Europeanization across the UK administrative system as a whole. Thus, after some introductory comments on the general background to the Scottish Office case, the two broad forms of cultural change defined above will be examined in the first instance in relation to the Europeanizing effects of EC/EU training programmes on officials. Following this, the role played by those returning from periods of secondment in changing civil service practices and attitudes will be assessed.

Finally, a general analysis will be made of the interface between administrative cultures as they exist in the UK and Europe and the extent to which working practices and administrative outlook have been transplanted between the two.

THE SCOTTISH OFFICE

Created in 1885, the Scottish Office occupied a rather unusual position within the departmental hierarchy of UK central government. In this respect it acted as a form of devolved administration for a distinct territorial unit, covering a range of policy remits executed by a number of single function departments elsewhere in the UK. However, it was not directly accountable in electoral terms to the territory it served and exercised strictly limited autonomy from the Whitehall infrastructure of which it was a component part. In short, while the Secretary of State for Scotland, his team of junior ministers and civil servants had some freedom to 'tailor' national policies to suit specific Scottish concerns and circumstances, any territorial autonomy was necessarily constrained and subordinate to political decision-making processes in London (Midwinter *et al.* 1991).

Within a European context, the Scottish Office's responsibility for a number of policy areas in Scotland increasingly affected by the EC/EU – principally fisheries, agriculture, environment, industry and regional policies (Midwinter *et al.* 1991, pp. 85–6) – meant that the department was drawn into policy-making processes at the European level and exercised some responsibility for the implementation of EC/EU policies in Scotland. However, in line with domestic constitutional arrangements, while Scottish Office ministers and officials participated in European decision-making through, for example, attending sessions of the Council of Ministers and Council working groups, they did so first and foremost *as part of UK central government*. In particular this meant that while territorial interests could be pursued on the European stage, they could not be seen to diverge or conflict with the overall UK line being pursued by UK functional departments which, rather than their territorial equivalent, tended to assume the lead role in conducting negotiations on behalf of the UK (Mazey and Mitchell 1993, pp. 109–10; Keating and Jones 1995, pp. 100–1).

From the summer of 1999 the responsibilities of the Scottish Office were, of course, transferred for the most part to the new Scottish Executive which operates within the context of a directly elected territorial body, the Scottish Parliament. However, for the purposes of the present study recent developments far from negate the relevance of the Scottish Office experience. In the first instance this stems from the fact that the handling of European matters has *not* been devolved to the Scottish Executive (The Scotland Act 1998 Schedule 5 Part I, 7.1). As such, UK central government reserves control over this area and the mechanisms for territorial involvement (including those for Wales and Northern Ireland) bear a striking resemblance to those which existed under the former territorial departments

(Scottish Office 1997, pp.16–18; Scottish Executive 1999, pp. 11–21). Secondly, while variations in the complexion of *political* control between Edinburgh and London may lead to constitutional difficulties which could not have existed previously, particularly where the national and devolved governments disagree over European policy (St John Bates 1997, p. 67; Hinsworth and Munro 1998, p. 98), it is nevertheless the case that the *administrative* infrastructure and personnel serving the Scottish Executive is essentially the same entity which formed the basis of the Scottish Office bureaucracy (Hogwood 1998; Pyper 1999). In terms of cultural Europeanization there will therefore be, in the short term at least, a heavy element of continuity rather than change. More generally, the above indicates that there were certain nuances specific to the Scottish Office, as a territorial department, which must be borne in mind when considering issues relating to Europeanization.

THE IMPACT OF EUROPEAN TRAINING

The introduction of EC/EU training programmes may have had significant implications for existing forms of civil service culture. In this sense, while their principal aim has been to facilitate an understanding and ability to deal with European matters on the part of domestic officials, it may be that their very existence has served to realize a secondary aim (Mazey and Mitchell 1993, p. 110). This aim can be seen to stem largely from the European Commission and involves a desire to see national officials not only understand and participate effectively in European governance processes but also that they should start to 'think European'. For member state governments, 'thinking European' involves a limited degree of cultural adaptation in that officials are encouraged to consider the possible implications which the EC/EU dimension might have as they go about the business of designing and implementing national policies. For the Commission, however, the cultural changes are potentially far greater in that national civil servants come to empathize with and assimilate the aims, objectives and working practices set at the European level. Thus, cultural change can manifest itself through 'institutional fusion' (Wessels and Rometsch 1996a, pp. xiii-xiv) or, in the extreme, through a wholesale importation of supranational aims and conventions within the boundaries of national bureaucratic infrastructure (Page and Wouters 1995). As defined earlier, therefore, cultural change can be seen to operate at different levels. Within this context it is clear to see why Bulmer and Burch (1998, p. 621 – emphasis added) argue that EC/EU training acts as a 'means of socialising officials into the processes and practices of European Union policy-making' rather than merely *educating* them in this respect.

General forms of training

From the early 1970s, European training for UK civil servants assumed a number of forms, each of which were encountered to some extent by Scott-

ish Office officials. The first involved training programmes run by the EC itself. Thus, from 1972 a number of senior officials began to attend Commission sponsored pre- and post-accession familiarization courses in Brussels, most of those involved hailing from the Department of Agriculture and Fisheries for Scotland (DAFS) (Cormack 1998; Hamilton 1998); in view of its multi-functional remit, the Scottish Office existed as a conglomeration of mini-departments, each exercising responsibility for specific policy areas such as agriculture and fisheries, industry, etc. Another form of training centred on courses provided by the national Civil Service College. By 1973 it was offering a number of general EC courses, ranging from one to four weeks duration, and some short programmes on specific aspects of EC work, as well as introducing a European dimension into its more traditional, domestic policy-based courses (HC Written Answer 5 March 1973, vol. 852, col. 30). During the 1970s and 1980s, senior Scottish Office officials attended a number of these courses and in fact, for most of that period this represented the greater part of any formal EC training undergone by civil servants from the department (Findlay 1998; Mackay 1998). In this respect, a third form of EC training, namely that provided on an 'in-house' basis by individual departments, was used in a rather limited and low-key fashion by the Scottish Office for the first fifteen years of EC membership. Certainly, from the 1970s the Scottish Office Training Unit did start to produce very general courses on EC matters (Kerr Fraser 1998). However, while these became 'a bit more prevalent' as the 1980s progressed, there 'was not a sea change' in approach in terms of their use or uptake (Scott 1998). One reason for this was that there was no need for the Training Unit to become heavily involved when only some 10 to 20 per cent of Scottish Office staff required EC training. Until the late 1980s it was therefore seen as quite sensible to let the Civil Service College cater for most training provision demands (Mackay 1998). Additionally, however, the limited use of internal EC training during the 1970s and 1980s simply reflected broader attitudes to training *per se*, not only in the Scottish Office but across departments generally. In this sense, the favoured approach to training, as it related to domestic matters as well as to those with a European bent, was the informal approach. In fact, the informal approach can be seen to represent yet another form of EC/EU training, that centred around 'learning on the job'. On balance, the available evidence would seem to suggest that 'on the job' training was not only valued highly within the Scottish Office (Hamilton 1998) but was popular across Whitehall as a whole (Burnham and Maor 1995, p.198). However, it has also been argued that as departments became more embroiled in European affairs there was a gradual move away from the belief that training should be centred so heavily around that gained through practical experience (Edwards 1992, pp. 73-4). It is by investigating how approaches to training have indeed changed, particularly since the early 1990s, that any impact such training may have had on administrative culture should come to light.

Training provided by the Civil Service College

To some extent, the emphasis and perceived effects of Europeanization on administrative culture was to change over time as forms of EC/EU training evolved. According to Edwards (1992, pp. 73–74), for example, attempts to avoid an over-reliance on forms of 'on the job' training were accompanied by an increasing proliferation of Civil Service College courses and by provisions centred around 'in-house' departmental training. Thus, by the mid-1990s, the Civil Service College at Sunningdale (and its Scottish branch in Glasgow) was offering some 36 individual courses, of both the specialist and generalist variety, on European matters (Civil Service College 1995, pp. 48–61). While each of these courses could be treated as free-standing, they were also designed to complement each other and thus form part of a multi-stage modular training programme (Civil Service College 1994). Between 1990 and 1996, limited numbers of Scottish Office officials subscribed to a variety of the Sunningdale courses on offer (table 1).

The broader point to be extracted from the above is that by the 1990s an extensive range of EU training was provided at a central level through the Civil Service College. In this respect, by building substantially upon the rather limited provision available in the early 1970s (Edwards 1992, p. 74), the College was able to offer individual departments an incentive to rely less heavily upon purely 'on the job' forms of training. At one level, the Scottish Office certainly continued to participate in the training on offer at Sunningdale. Nevertheless, given that the numbers of Scottish Office officials taking up these courses were rather limited and that the Scottish Office had anyway tended to rely upon such training in tandem with its 'on the job' equivalent during the 1970s and 1980s (Hamilton 1998; McCrone 1998; Mackay 1998), it could not be said that an expansion in Civil Service College provision alone necessarily led to the increased possibility of training in itself having a greater Europeanizing influence on administrative culture. However, making reference to Mackay's point (1998) that from the late 1980s the Scottish Office began to bolster its own 'in-house' training, it could be argued that *this* development not only limited the extent to which the department had to rely upon facilities available at Sunningdale but also perhaps held greater significance for any potential Europeanization of administrative culture which took place within its departmental boundaries.

In-house training

As noted earlier, at the same time as the Civil Service College expanded its EC/EU programmes, individual departments also made an attempt to build up their own 'in-house' training facilities. Thus, by the mid-1990s most departments had introduced their own forms of European training (Maor and Stevens 1997, p. 541). The Scottish Office was no exception in building up its own 'in-house' expertise but it is worth noting that developments in this area were framed by the broader, strategic reviews of Euro-

TABLE 1 *Uptake by Scottish Office officials of European courses run by the Civil Service College 1990-96*

Course title	Year	Grades in attendance (Scottish Office)
Decision-Making in the European Community	1994/95	1x SCS (senior Civil Service)
The French Economy and the Road to Economic and Monetary Union	1995/96	2x SCS
Germany in the EU: Study Visits	1993/94	1x SCS
	1994/95	1x EO (Executive Officer)
	1995/96	1x SCS
The Netherlands in the EU:	1993/94	3x EO
Study Visit	1995/96	1x SCS
Understanding Brussels: The European Union in One Day	1993/94	1x EO
A Guide to the Community Institutions	1993/94	1x EO
Introduction to Community Law and its Application	1990/91	2x SCS 1x HEO (Higher Executive Officer)
Dealing with EC Directives	1993/94	1x SEO (Senior Executive Officer) 1x EO
Negotiating in Brussels	1994/95	1x SCS
European Social Policy	1992/93	1x SCS
Focus Europe	1995/96	1x SCS 1x EO
Policy and Process in the European Union	1991/92	2x SCS 2x EO 1x AO/A (Administrative Officer/Assistant) 1992/93 2x SCS 1x EO 1993/94 1x SCS 2x HEO 2x EO 1994/95 1x SCS 1x EO 1995/96 2x EO

Source: Civil Service College 1998.

pean business which were initiated in the department from the early 1990s. In particular, the 1991 Management Review (Scottish Office 1991a) sought a more 'pro-active' role for the department on the European stage and a more co-ordinated approach to Europeanization *per se*. As far as European training was concerned, in a keynote 1991 speech Ian Lang, as Secretary of State for Scotland, talked of his wish to see 'a systematic development of... training arrangements which [would] instil a keen awareness of the Scottish Office interface with Europe' (Lang 1991, p. 13). In turn, this led to a series of recommendations in the review which included (Scottish Office 1991a, p. 3):

- affording EC training a higher priority, particularly for divisions where there was a 'crucial' or 'major' EC involvement;

- incorporating an EC module within core Scottish Office training (ie. that undertaken by all officials);
- building up a documentary database of EC-related information;
- encouraging greater levels of take-up of Civil Service College courses;
- bolstering language training;
- utilizing opportunities for vocational training in Brussels;
- making increased use of external sources (guest speakers, seminars, etc.).

Following the review, these recommendations were pushed forward by the Permanent Secretary (Scottish Office 1991b, p. 3), thus indicating a commitment from the highest levels of the civil service hierarchy to achieving stated aims. As a result, by the mid-1990s, a number of features of 'in-house' training stemming from the above recommendations could be highlighted. For example, by 1995 an EU module had been incorporated within the core 'Policy Programme' course taken by all officials. During that same year, twenty officials travelled to Brussels for training visits, 84 officials signed up to language courses and a total of 61 days were spent at the Civil Service College (Scottish Office 1995, pp. 4-5). As well as those facilities provided by the Scottish Office Training Unit, the department's European Central Support Unit (ECSU) also became involved in training in 1995 by way of running four general courses on assorted EU matters (Scottish Office 1995, p. 4).

Given the range and breadth of its own 'in-house' training mechanisms, the Scottish Office of the 1990s clearly had little need to place an over-reliance on either those training facilities provided by the Civil Service College or those forms of 'on the job' training which had prevailed during the 1970s and 1980s. In one sense it could therefore be argued that the *possibility* of administrative culture in the department being affected by the European dimension may have increased during the 1990s due to the sheer weight and prevalence of European training at the 'in-house' level. This argument would seem to be reinforced when the context and rationale behind this latter form of training is taken into account. In this respect, the Lang reforms in particular could be seen to have heralded a change in approach which meant that European training was looked upon as serving more than those purely 'practical and functional' aims which Wallace (1996, p. 65) has suggested form the backbone of training programmes across UK departments. From her comments it could be assumed that it is only those working practice centred forms of cultural change which stem from training, the principal aims being to stimulate a broad understanding of the European dimension and engender technical expertise. However, it would seem from the language employed in Scottish Office circles that there was, at least from 1991, an implicit recognition that complete assimilation of the European dimension could only be achieved through an assumption that *some* deeper cultural change would have to accompany that assimilation. Thus, by stat-

ing the desired aim that 'the Scottish Office naturally think European' (Lang 1991, p. 14) and heralding an array of internal training measures to achieve this, it would seem that the Scottish Office was making a more determined effort to 'Europeanize' itself in ways which went beyond purely 'practical and functional' expertise and which could not really have been achieved by relying solely upon 'on the job' experience or external training measures provided by the Civil Service College. In this respect it could be argued that by intensifying its training measures in the way that it did, the Scottish Office opened itself up to forms of cultural 'Europeanization' which went beyond the general trends identified by Wallace and thus heralded the *possible* arrival of those deeper, ethos-based forms of cultural change defined earlier. If fully realized, such change would of course run counter to Bulmer and Burch's (1998, p. 613) position on the cultural impact of Europeanization. However, to ascertain whether such change actually materialized in practice, additional features of cultural adaptation must be considered.

THE IMPACT OF SECONDMENTS

Earlier it was noted that secondments shared much in common with European training in that the partial intention of both has been to encourage officials to 'think European' which in turn has been viewed as a means of facilitating the accommodation of EC/EU business in purely practical terms. Further to this, however, Mazey and Mitchell (1993, p. 110) suggested that both have served a secondary purpose in helping to realize a key aim of the Commission, namely to engender what might loosely be termed 'European' values amongst the national bureaucracies. In short, cultural change might result from secondments in that there could be a "contagion" effect of the EC...exerted on the national administrations by those who return from a limited period of secondment to the EC' (Page and Wouters 1995, p. 197). In Page and Wouter's view (1995, p. 202) the impact of any contagion effect has been strictly limited in practice because of the absence of an overarching EC/EU cultural 'model'. In other respects, however, the question of secondments still provides a useful context within which to examine the impact of Europeanization on administrative culture within UK departments and in particular, within the Scottish Office.

Since 1973 secondment opportunities for UK civil servants have taken a number of forms, although it is only really in recent years that EU postings have become more widely accepted as an attractive career proposition (see Willis 1982, p. 25; Wallace 1996, p. 65). Principal amongst these have been postings to UKREP, which acts as a key source of information for UK administrators on developments within the EC/EU and plays a significant role in co-ordinating UK inputs to EC/EU negotiations (Bender 1991, p. 18; Wallace 1996, p. 65), and the despatch of short-term 'national experts' to the various Directorates-General of the Commission (Willis 1982, p. 81; Bulmer and Burch 1998, p. 621). In more recent years, officials have also

been seconded to the bureaucracies of other member states and various other related posts.

A number of examples can be used to illustrate how Scottish Office officials became involved in these various forms of secondment. First, since its creation in May 1992 as a Scottish lobbying office in Brussels (Mitchell 1995, p. 287), Scotland Europa has housed two successive secondees from the Scottish Office (Scotland Europa #1 1998). Second, during the mid-1990s, an official from the Scottish Office Agriculture, Environment and Fisheries Department (SOAEFD) was seconded to the Swedish Ministry of Agriculture (Scottish Office 1995, p. 7). Third, it became established practice from the mid-1970s to send small numbers of Scottish Office officials to act as seconded national experts to the Commission. By the 1990s, the numbers involved varied from four to eight at any one time (HC Written Answers 25 November 1996, vol. 286, cols. 84–6), each secondment lasting on average between two and three years (Scottish Office 1992, p. 2). Most of the Scottish Office's detached national experts dealt with fisheries and agriculture although those from other backgrounds were also involved. For example, in 1991 an economist from the Scottish Office Industry Department (SOID) was seconded to DGXVI, the Directorate General for Regional Policy (Lang 1991, p. 12). A fourth illustration of the Scottish Office's secondment experience concerns its involvement with UKREP in this respect. As a result of its overall responsibilities for the operation of the body, the FCO has tended to dominate UKREP in terms of staffing levels although as time has progressed and more parts of Whitehall have come to be affected by the European dimension, so the range of departments seeking placements has increased (Bender 1991, p. 18; Wallace 1996, p. 65; Bulmer and Burch 1998, p. 615 and see table 2).

From the above it is clear that the Scottish Office made use of a number of secondment opportunities. However, the key question to be addressed here is whether secondment processes in themselves actually led to that

TABLE 2 *Departmental configuration of UKREP in 1991*

Department	Number of UKREP secondees
FCO	45
DTI	6
MAFF	5
Treasury	2
HM Customs and Excise	2
Department of Employment	2
Scottish Office	1
Northern Ireland Office	1
Overseas Development	1
Department of Transport	1
(Bank of England)	1

Source: HC Written Answer 17 June 1991, vol. 193 cols. 28–29.

'contagion' effect set forth by Page and Wouters and thus contributed to a degree of Europeanization of administrative culture within the department. Much of the available evidence, particularly as it relates to UKREP, would suggest that the *practical* benefits which accrued from secondment were of far greater significance than any more secondary cultural implications that may have been felt. In this sense there would therefore seem to be some ammunition for Wallace's argument (1996, p. 65) that more limited operational and working practice elements of cultural change stem from secondment rather than any of the deeper, ethos-based forms of change. The testimony provided by former Scottish Office officials and the stress laid upon the benefits resulting from secondment can be seen to share much in common with attitudes across the UK administrative system as a whole. In this sense, attitudes highlighted by Willis (1982, p. 83) are clearly reflected in the Scottish Office case: 'It was an asset to have amongst our senior staff, people who had experience working in UKREP. If the Department was considering a particular initiative it could ask those who had been in UKREP, "How would the Commission view this or react to that?"' (McCrone 1998).

Additionally, secondees returning to the Scottish Office could help to facilitate a general understanding or knowledge of how the various parts of the EC/EU machinery actually operated (Cormack 1998; Findlay 1998; McCrone 1998; Scott 1998). It was because of these perceived benefits, common to all departments (Bulmer and Burch 1998, p.621), that the Scottish Office made quite deliberate and determined attempts to secure UKREP positions and consistently succeeded in achieving this – although the perceived need for a territorial presence within this forum was also a guiding factor (Hamilton 1998; Kerr Fraser 1998; Mackay 1998).

On the basis of the above evidence there would indeed seem to be some justification for the view that the practical benefits stemming from secondments assumed a position which perhaps outweighed any of the more abstract cultural considerations. However, this is not to suggest that secondments resulted in no deeper cultural change. As the following shows, the latter did indeed occur, although perhaps not in ways speculated or predicted by other commentators. For example, Edwards (1992, p. 70) and Spence (1993, p. 49) discuss the concept of 'going native' whereby seconded officials become so enamoured of the EC/EU that they either decide to remain there for the rest of their careers or, on returning to their home departments, propagate what might loosely be termed a 'pro-European' line, this being an extreme and perhaps more politicized version of that 'European thinking' which, as highlighted earlier, secondments were supposed to engender (Mazey and Mitchell 1993, p. 110). Such 'pro-Europeanism' is felt by some to have prevailed within the ranks of FCO in particular (Young and Sloman 1982, pp. 79–81). At one level it is certainly true that a few Scottish Office officials took up secondments, only for them to decide not to make a subsequent return to the department ('Education Ethos is a

Lesson Well Learned', *The Herald* 26 December 1995). They tended, however, to act as an exception to the rule. Of the seven Scottish Office officials seconded to UKREP between 1973 and 1993, for example, six returned to the department (HC Written Answer 25 March 1993, vol. 221, col. 688). Furthermore, there is no evidence to suggest that any of those returning from secondment were regarded as having 'gone native'. Any cultural changes which did result, be it with individuals or across the Scottish Office generally, were far more subtle in tone and nature. For example, it has been suggested that as secondment opportunities increased along with EC/EU related work generally, this may in itself have served to 'broaden horizons' in terms of civil service attitudes towards Europe (Kerr Fraser 1998). More specifically, it has also been suggested that as more and more Scottish Office officials travelled to Europe, not only to take up secondments but also to take part in negotiations and working group business in the Council, there was a gradual cultural shift which involved a subtle re-aligning of civil service priorities. Much of this change centred around a growing feeling that 'Brussels was where it happened' and that the Scottish Office could exert some influence on proceedings, as for example with the Less Favoured Area Directive in the early 1970s. In short, administrative attitudes changed through a realization that the locus of decision making was shifting and that the Scottish Office could exert influence within the new framework (Hamilton 1998).

A final example of change, however, suggests that secondments actually served to *reinforce* existing administrative culture rather than 'Europeanize' it. Thus, some evidence would suggest that secondees actually became more sceptical of the administrative infrastructure of the EC/EU when they returned to the Scottish Office (Mackay 1998). This stemmed largely from difficulties experienced by civil servants in relating to an infrastructure which they found to be 'politicized' in the sense that national officials had to deal with 'the political whims and preferences of the various Commission directorates.' Within this context, rather than import cultural traditions which they had encountered during secondment, it is suggested that Scottish Office officials were actually glad to detach themselves from the challenges of dealing with a highly politicized and disparate series of views and policy preferences spread across various parts of the Commission, differences which were seen to be far more pronounced than is usual between individual departments in the UK (Armstrong and Bulmer 1996, p. 268; Wallace 1996, p. 62; Christiansen 1997, pp. 77–80). In broader terms, two key conclusions can be drawn from the preceding discussions. First, the purely practical benefits of secondment would appear to have assumed a greater saliency for civil servants than any more secondary, cultural considerations. Second, while there have nevertheless been cultural changes as a result of secondments, the outcomes would suggest that, in the case of the Scottish Office at least, existing administrative culture has been as much reinforced as it has been changed by the European dimen-

sion, thus adding more fuel to Bulmer and Burch's (1998) case that UK culture has not been Europeanized to any great extent. In this latter respect, attention is therefore drawn to the broader question of how far departmental culture in the UK and that of the Scottish Office in particular actually changed as a consequence of Europeanization.

THE INTERFACE BETWEEN 'EUROPEAN' AND BRITISH ADMINISTRATIVE CULTURES

A key difficulty in assessing the extent to which 'European' administrative culture has had any impact upon that in the UK stems from the fact that there is arguably 'no overall European principle of organisation: there are no practices, style or culture likely to spread' (Bulmer and Burch 1998, p. 603). Thus, while a form of 'institutional fusion' can be seen to have taken place over the years as national administrative systems have come to increasingly interact with their EC/EU equivalent (Wessels and Rometsch 1996a, pp. xiii-xiv), this has not extended to encompass 'institutional convergence' (Wessels and Rometsch 1996b, pp. 329-30). According to Page and Wouters (1995, pp. 198-200) this state of affairs is somewhat inevitable when, in their view, there is as yet no readily identifiable 'European' style of administration upon which national systems can model themselves. This having been said, there are nonetheless a number of general features characteristic of EC/EU administration which can be seen to be highly significant within a comparative UK context.

As Bulmer and Burch (1998, p. 603) note, 'so far as there is an EU style, it is more in keeping with continental rather than British administrative traditions...'. In this respect, any attempt to assess the extent to which the UK civil service has imported 'European' cultural practices must consider the differences which already existed between the former and the cultural traditions of other member states as well as those of the EC/EU as a whole. Thus, much hinges on the fact that the EC, both before and after UK accession, could be seen to combine the styles and traditions of the administrative systems of its original six member states (Willis 1982, p. 56).

The differences between administrative culture in the UK and on the continent take a number of forms. For example, Edwards (1992, pp. 70-71) highlights the distinction between the 'generalist' tradition within the UK civil service and the more rigid demarcation made in other bureaucracies between administrators, lawyers, economists and other specialists. Similarly, Armstrong and Bulmer (1996, p. 268) draw attention to the 'legalistic culture' in the UK which entails an all-pervasive 'legalistic assumption that laws are made to be put into practice'; this has arguably led to a degree of commitment to implementing EC legislation in the UK which has not always been as apparent in some other member states (Edwards 1992, p. 87; Spence 1993, p. 53). Finally, and as initially suggested during the discussion on secondments, a degree of sectorization can be seen to mark the continental tradition in ways which are largely alien to the UK experience. At one

level, this sectorization stems from the fact that officials in most EU member states work within a framework of governing coalitions. In this respect it could be argued that European administrators are perhaps more susceptible to fragmentation and politicization as different parts of the bureaucracy serve departments or divisions headed by ministers of differing political persuasions (Dowding 1995, pp. 148–9). By contrast, one of the perceived strengths of the British system is the fact that there is close interdepartmental liaison and thus relative 'consistency across departments' in terms of approaches to specific policy matters (Mackay 1998), a consistency which is seen to have been of great value in dealing with European matters (Spence 1993, p. 54; Armstrong and Bulmer 1996, p. 268; Wallace 1996, p. 62; Bulmer and Burch 1998, p. 606). At another level, and as discussed earlier, there are clearly differences between UK and European administrative cultures in that some UK civil servants have found it difficult to adapt to the sectorization and competition to be found across different parts of the Commission.

Given this range of cultural differences, the scope for cultural change within the UK administrative system could be considered immense, if indeed Europeanization was to have an effect in this particular way. On the other hand, it could be argued that the differences between the two cultures are such that there has actually been little possibility of a mutual import of traditions between two incompatible extremes. In practice, however, the outcomes have perhaps fallen midway between the two. For example, some commentators have noted evidence of the UK exporting its cultural traditions to the EC/EU rather than vice-versa. Thus, Willis (1982, p. 86) found that UK officials working in Brussels had been *partly* responsible for the introduction of improved documentation systems, a codification of sorts for Community administrative procedures, and greater team-working and liaison between different parts of the EC bureaucracy. However, evidence of the UK importing European culture and practice is hazy to say the least. On the whole there would seem to be little to suggest that UK government departments, including the Scottish Office, have experienced Europeanization of their administrative culture in this way. Instead, rather than the fundamental nature of UK administrative culture being Europeanized it could be argued that in general terms, as with the specific example of secondments, while that culture has undergone subtle realignment in adapting to 'European' administrative practice, the *overall* ethos and parameters of the culture have not been altered to any great extent. In effect, any cultural movement has taken place *within* the boundaries of established administrative culture in the UK (Edwards 1992, p. 67; Spence 1993, p. 68; Bulmer and Burch 1998, pp. 606, 620–21).

Developments within the Scottish Office would certainly seem to confirm the above line of argument. For example, Gavin McCrone (1998) has noted that while Europeanization led to some organizational and structural change within the department, the *style* of operations and administration

was not really affected and that in the latter respect 'British government sticks to its own ways', thereby greatly diminishing any possible importation of foreign techniques or culture. Similarly, Sir William Kerr Fraser (1998) has talked of a shift in emphasis taking place within *existing* culture and administrative practice. If there was cultural change it was in the sense that departments had to respond more quickly to the possible implications of 'foreign' affairs on their respective business and portfolios (Hamilton 1998; Kerr Fraser 1998).

From the above examples, cultural change within the Scottish Office was limited in the sense that there was no widespread importation of 'European' practice or consequent change to departmental culture. In this respect there is an element of regret in some quarters. In particular, Scott (1998) argues that *no* real attempt was made to understand or take account of the different administrative culture and styles of decision making which exist at the European level. While this standpoint echoes but perhaps exaggerates in a more overtly negative sense the earlier point made by McCrone about the UK civil service 'sticking to its own ways', both positions can perhaps be qualified by the views of another former official. Thus, Peter Mackay (1998) would seem to add fire to an earlier argument which suggested that the importation of EC/EU administrative practice was simply not feasible owing to the huge differences which exist between bureaucratic infrastructure and culture in Europe and in the UK. In specific terms he suggests that the mutual import of culture and techniques between the two spheres is rendered unlikely when in the EC/EU it is personalities and their political persuasions which matter most, whereas in the UK the good administrator succeeds by mastering the bureaucratic infrastructure surrounding decision-making processes. Therefore, even if the Scottish Office and the UK civil service as a whole were more prepared to 'Europeanize' themselves in the sense of adopting continental working practices, the extent to which this could actually take place might still be limited because of the sheer gulf that exists between the two in terms of cultural differences.

From this part of the discussion a number of general conclusions can be drawn regarding the interface between administrative cultures in the UK and the EC/EU and how the Scottish Office relates to this. In the first instance it is clear that any attempt to establish a correlation between the two cultures must be heavily qualified by arguments which suggest the absence, as yet, of an overarching 'European' working culture. At the same time, however, it is true that a number of individual features of EC/EU administration evidently differ from the UK experience, particularly in relation to the intensity or otherwise of any sectorization which may exist between the constituent parts of the respective systems. In turn, by using these distinctions and the Scottish Office experience as points of reference, it is clear that the impact of Europeanization on UK administrative culture, in the sense of 'European' approaches and working practices being imported into the UK system, has been limited and that any changes which

have taken place have been largely minimal in their scope and always within the boundaries of *existing* UK culture.

CONCLUSION

By considering at some length the paths taken by cultural Europeanization within the Scottish Office, there would appear to be much in the way of detailed evidence to substantiate Bulmer and Burch's (1998) earlier, generalized conclusion that this form of European adaptation has had a relatively limited, low-key impact in the UK. Thus, while the introduction of training and secondment programmes within the Scottish Office led to limited cultural change in the sense that they facilitated the ability of civil servants to develop working practices which met the demands of EC/EU membership, they did not herald wider changes in bureaucratic emphasis or approach. In particular, there was no identifiable transformation of approach from domestic to 'European'. In one respect it is true that while the Scottish Office was not alone among departments in according the area of in-house training higher priority from the early 1990s, the strategies employed in Edinburgh suggested that a deeper form of shift in cultural attitudes might be desirable. However, there is little to suggest that such a shift did actually occur in practice. What is more, the sizeable gulf between the UK as a whole and other parts of the EC/EU in terms of differences in administrative style and approach, led many in the Scottish Office to conclude that any wide ranging form of cultural assimilation and importation was neither a feasible nor realistic prospect. Indeed, while a few of those seconded to EC/EU institutions may eventually have 'gone native', for other Scottish Office officials their experience in Brussels only served to reinforce the perceived benefits of existing administrative approaches, thus pointing once again to the limited prospects for any deep-seated cultural Europeanization.

In the above respects, a detailed examination of developments within the Scottish Office has shown the extent to which the experience of just one department can be used to illuminate and confirm the validity of Bulmer and Burch's tentative observation that there has been no great Europeanization of administrative culture in the UK and that instead, there has merely been subtle re-alignment within the parameters of existing culture. In this sense, the Scottish Office case illustrated how limited cultural change materialized through an accommodation of the European dimension into civil service working practices. What cultural change there was therefore tended to revolve around largely practical considerations stemming from EC/EU membership. By contrast, deeper forms of cultural Europeanization, whereby officials transferred their loyalties from a national to a European working ethos or a wholesale importation of a 'European' administrative style took place, were noticeable by their absence.

In future years, with the advent of devolution and its wider implications for Europeanization (Bulmer and Burch 1998, pp. 622-3), it may well be

that the experiences of the devolved territories may start to diverge. In the short term, the creation of Scotland House in Brussels ('Scotland Sets Up Shop in the Heart of Europe' *The Herald* 1 July 1999), a government-based territorial body, acts as a concrete example of the new dynamics behind the 'triangular' relationship between Edinburgh, London and Brussels. In the longer term, as the new system of governance in Scotland begins to evolve it may well be that administrative practices and cultural norms in Edinburgh will come to depart from Whitehall-centred approaches and that this may have a secondary impact upon how, in Bulmer and Burch's (1998, p. 621) terminology, Scottish officials are 'socialised into the processes and practices of the European Union'. For the time being, however, the fact that the administrative infrastructure serving the new Scottish Executive and Scottish Parliament will, initially at least, involve a transfer of staff and structures from the Scottish Office – officials who will remain part of the UK home civil service – suggests that there will be, in administrative terms, a degree of continuity with past experience. More generally, given that uncertainties continue as to the role to be played by the devolved administration in the European field (St John Bates 1997, p. 67; Himsworth and Munro 1998, pp. 97–8; Mitchell 1998, p. 80; Bogdanor 1999, pp. 279–83) it remains to be seen whether devolution will result in any noticeable changes to the way that the EU dimension is accommodated, in cultural terms, at the bureaucratic level.

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URBAN GOVERNANCE AND POLICY NETWORKS: ON THE URBAN POLITICAL BOUNDEDNESS OF POLICY NETWORKS. A FRENCH CASE STUDY

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The paper analyses the changes within two policy domains in one French city. The aim is not so much to demonstrate the role of policy networks but to stress the importance of their articulation within a given political space. The paper does not conclude on the emergence of a new type of network governance but rather shows how urban political élites have deliberately encouraged the formation of policy networks in Rennes. That strategy makes sense in their attempt to strengthen an urban collective actor. Policy networks therefore should not be analysed autonomously as their impact is largely shaped by the interest and collective goals of the existing regime of governance in Rennes.

Most public policy research in European cities tends to come out with three sets of conclusions. First, it tends to stress process of fragmentation (Costa 1998), deterritorialization and reterritorialization together with increasing social and economic pressure (Mayer 1998; Musterd and Ostendorf 1998). Second, urban administrations and political élites are reacting to this, for or against the state: most urban governments have initiated management reforms including for instance neighborhood councils, the decentralization of services management (Baldersheim and Stahlberg 1995) or the '*trompe-l'œil* renaissance' of metropolitan governments (Lefevre 1998). Urban governments in most European countries came out of these changes as more complex organizations, more fragmented, and to some extent, more responsive to the demands of local groups and neighbourhoods. Urban government officials have learned to co-operate, to provide sources of funding and to incorporate different groups, including social movements, in a more loosely defined structure of governance (Mayer 2000), for instance policy networks, partnership (Pierre 1998). Traditional models of urban governments within the national political and administrative systems are therefore undermined, hence a lively debate to identify new forms of urban governance is taking place (Goldsmith 1995; Stoker 2000; Harding and Le Galès 1998; Leresche 2001). Third, urban governments in Europe are also facing political pressure. There is a transnational movement to raise the

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issue of urban democracy and accountability (King and Stoker 1996; Gabriel and Hoffman-Martinot 2000). This has translated, most importantly in Germany and in Italy, but even in the UK to a limited extent, into the direct election of an urban mayor. Mayors have often gained a higher political profile in most European countries, most notably in Italy but even in small centralized countries such as Portugal, Sweden or Finland.

It follows that to some extent, in particular in the context of European governance in the making, governance and policy network analytical tools are now used not only to study national policies but increasingly at the local and regional level too, as growing interdependence among levels of government tends to become a general feature. This is usually done in two ways, either in terms of relation with economic development issues to follow up the American-led theoretical debate about growth coalitions and urban regimes (Judge, Stoker, Wolman 1995), or in terms of local policy networks (numerous studies on local public policies).

In the second case, sectoral analysis of urban policy networks tends to focus on vertical networks going through various levels of governments. The paper intends to show that in some cases, (the French city of Rennes presented here as a case-study), the horizontal co-ordination of network is more important than the policy networks themselves in influencing policy outcomes in different domains. The aim of the paper is not so much to demonstrate the role of policy networks but to stress the importance of their articulation within a given political space. The paper does not conclude on the emergence of a new type of network governance but rather shows how urban political élites have deliberately encouraged the formation of policy networks in Rennes. That strategy makes sense in their attempt to strengthen an urban collective actor. Policy networks therefore should not be analysed autonomously as, in the Rennes case, their impact is largely shaped by the interest and collective goals of the existing regime of governance. By contrast to the literature on the management of complex networks, the paper emphasizes the political dimension and the role of political élites in particular in instrumentalizing policy networks. The discussion is limited to the French case and it builds upon research made about different public policies in the city of Rennes.

URBAN GOVERNANCE: POLICY NETWORKS AND POLITICS

General arguments about the restructuring of politics in Europe tend to indicate the decreasing salience of state regulation (in the sense of hierarchy being the driving force and the state playing the central role of co-ordination and resource allocation, a focal point for conflicts) in favour of the interdependence between different levels through networks, more interactions between a larger range of actors at different levels. The redistribution of authority goes hand in hand with the multiplication of some policy networks, the development of regulation mechanisms through negotiation, co-

operation based on interests but also on trust or values together with new forms of domination and conflicts.

That does not always lead to the complete fragmentation of urban governments. There is an attempt in European cities, to balance social and economic issues (or classically the politics of growth and redistribution) and to find articulation between urban government and urban governance in different ways, more or less in collaboration with private interests and or with the third sector. That attempt to bridge the gap between politics and policies and to define some collective urban interest is at heart a political process. The erosion of the nation state does not mean the end of politics in Europe, it reappears at every floor of the multi-level governance.

As a result of economic globalization, the restructuring of the state and European integration, cities are now subject to significant centrifugal tendencies. Yet, in spite of everything, cities remain, to some extent, tiers of political and social organization. Bagnasco and Le Galès (2000) have suggested concentrating on two fields of analysis: urban integration and urban governance. The first touches on the conditions that enable cities to remain at the core of economic and social relations which are given stability by actors who respond to and influence each other's actions. Thus cities are localized societies that show a diversity of structure. The second, urban governance which is the subject of this article, has to do with the ability to regulate internally the interplay of interests – as a contributory factor towards integration – and to reconcile them in view of their representation externally, thus implying that cities, at least to a certain extent, constitute unitary actors. Indeed, in many parts of Europe, urban political élites have worked hard to create stabilized forms of governance, regimes or coalitions and to develop collective action, a long-term political goal for the urban area. In many cases, in co-operation with local business élites, they have tried to develop the city as a collective actor for instance to pursue goals of economic competition (Jouve and Lefèvre 1999).

In public policy terms, the analysis of policy networks and various policy domains (either local or national or European including cities – urban political and/or bureaucratic and business), should be combined with attempts to bring together coalitions in cities and to give some orientation to policies. There may be cases where these policy networks are just not there, or hardly there and do not describe accurately patterns of organization and the relations between different actors. In some cases, one could find strong policy networks encompassing some local actors, but contributing to the 'de-territorialization' of the policy domains with local actors kept at the periphery of the network. There is a strong argument to be made that one of the main problem for European cities and regions in increasing their political capacity is that policy networks go through them and contribute to the fragmentation of the political arena without integration. Our basic hypothesis for cities (but see the same line of argument for regions in Keating 1997) is that in Europe, and in France in particular, some cities face

increasing political fragmentation as a result of either the lack of local actors and organized interests or weak integration processes owing to the structuring of policy networks which are relatively autonomous. However, in order to go against these trends, many leaders in different cities are trying to develop ways to integrate various interests and networks within collective strategies and long-term policies. The making of coalitions, partnerships and networks of different kinds is very much on the cards. There is therefore a need to examine the interplay between this attempt to develop new forms of governance and the contribution of policy networks.

This fragmentation is also emphasized not only because the frontiers between public and private actors are blurred but also because the policy domains are becoming increasingly difficult to identify. To a large extent, policy network studies were related to policy domains or policy subsystems which were assumed to be easily identifiable. The growth of more or less autonomous policy subsystems and societal subsystems in western societies is an essential factor in the development of the thinking about governance (Mayntz in Kooiman 1993). However, at the same time, an opposite trend seems to be occurring, i.e. some policy domains or subsystems are losing their autonomy and their frontiers are being blurred. External factors may lead to the redefinition of the problem and increase the instability of the actors involved in networks or coalitions. The classic problem of policy network delimitation is reinforced because the subsystems or the domains are unstable.

In particular, a well-known critique of the policy-network literature is that it tends to emphasize fragmentation, desegregation at the expense of domination, power and structural power rooted within the state or within the European public sphere (Jobert 1995). Another reason to look at public policies at a subnational level is therefore related to politics. Beyond the ritual call for more analysis of politics and policies, policy networks analysis have tended not to concentrate very much on political issues. The emphasis on resource exchange between organizations does not leave much space to the political dimension of the exchange and it is claimed that the political dimension of the exchange is crucial at that level, at least in Italy or in France (Négrier 1995), i.e. in cases of strong territorialization of politics.

The focus on one policy domain and one policy network tends to emphasize the autonomy and the internal logic of the network, for instance the conflicts between coalitions or the exchange within the network, how various actors stick together. To some extent, because networks increase fragmentation, it also allows for some actors, or institutions, to try to control, use, articulate, or integrate some of these networks into their own strategies or long-term goals, instead of going too far along the road to polycentric governance. The focus on the integration of different policy networks paves the way to reintroducing politics, legitimacy, public sphere, collective choice.

These questions are particularly salient at the local level as Smith (1995)

or John (1997) have already argued, and in a different way, in the literature about new forms of urban planning (Healey 1995; Perulli 1997). The range of actors or organizations is not so wide. Therefore they tend to be involved in different policy domains. For instance, when he looked at the ways in which European structural funds were implemented in three European countries, Smith made three criticisms of policy network analysis: (1) the networks he identified were not related to one policy domain but involved different policy domains and they were strongly rooted in the areas he studied, the cognitive element being crucial; (2) in the rural areas he studied, the question of political legitimacy was central to the understanding of policy implementation and the way networks worked; and (3) he identified a 'super network' of what he calls 'transversal actors' cutting through vertical and horizontal networks. Although his point of departure is substantially different, John who (with Cole), has done the most stimulating research on local policy networks in French and British cities also insists on the political relationship and suggests that holding power is central in the structuring of a local economic policy network. In terms of public policy, this hypothesis makes sense and leads to the analysis of policy networks within regimes of governance, to their social and political urban embeddedness.

The argument is therefore parallel to the research tradition concerned with network management. Kickert, Klijn and Koopenjan (1997, p. 35) noticed that in most of the literature on policy networks, attention is focused on the making of networks, their dynamics, the polity outcomes 'whereas the impact of the existence of networks on governance and public management hardly receives attention'. This literature eloquently focuses on the management aspect of policy networks in a sophisticated way. However, as Rhodes already pointed out (1997), the politics of policy network management and legitimacy issues have been rather neglected. In that sense indeed

The network approach considers public policy making and governance to take place in networks consisting of various actors (individuals, coalitions, bureaus, organisations), none of which possesses the power to determine the strategy of the other actor . . . Network management is an example of governance and public management in situations of interdependencies. It is aimed at coordinating strategies of actors with different goals and preferences with regard to a certain problem or policy measure within an existing network of interorganisation relations' (Kickert, Klijn, Koppenjan 1997, pp. 9 and 10).

This approach is useful in many contexts but prone to criticism as it leaves aside questions of power. Networks managers are *de facto* only within the public administration itself. But the idea that the steering of complex networks may be a central task for politicians is not an issue; it is not just about management and problem solving but also about politics. If no central actor

determines the strategy of another, it may still be the case that it has the power to influence the behaviour of some even in a non-monopolistic way. The issue of legitimacy is absolutely central in that perspective (Papadopoulos 1998).

In one meaning identified by Rhodes (1997), governance refers to self-organizing, interorganizational networks, a line of argument well developed in the German literature too (see Börzel 1998 for a review). In the country where local government was so much undermined, local governance was understood in those terms by creating local governments (Stoker 1999). This paper prefers to follow Jessop who gives the following definition of governance:

one could define the general field of governance studies as concerned with the resolution of (para-) political problems (in the sense of problems of collective goal-attainment or the realisation of collective purposes) in and through specific configurations of governmental (hierarchical) and extra-governmental (non-hierarchical) institutions, organisations and practices (Jessop 1995, p. 317).

Governance in the political sense is therefore defined as a process of co-ordinating actors, social groups and institutions to attain clear goals that are discussed and defined collectively in fragmented, uncertain environments (Le Galès 1998). It is not about the neo-liberal rhetoric of delegitimizing governments and politics.

Urban élites were not the central figure in most public policies, and were never in a position of monopoly, even within cities. With the restructuring of the state, there is rather more pressure on political élites to try to bring in some co-ordination of public policies. One of the key dynamics behind the development of the process of urban governance is the fact that political leaders, when they are legitimate, are very much seen as central to organizing collective action (Borraz 1998).

It has been argued so far in this paper that there was pressure for urban political élites to provide some collective framework, for the making of a governance regime. If that proposition makes sense, local policy networks should not be so self-obsessed and autonomous from urban political leaders, not to mention urban governments; thus policy networks are managed and steered within regimes of governance when these are in place.

This paper uses one case study and two policy areas to show the rôle of local political leaders in the formation and the steering of policy networks.

PUBLIC POLICIES IN RENNES: HOW LOCAL LEADERS USE AND STRENGTHEN POLICY NETWORKS

As in most European countries, particularly in the most centralized ones, public policies in France have changed dramatically. National vertical public policies have often been restructured. By contrast, some local authorities, particularly cities, have been the main winners of the decentralization

reforms (1982) and the dynamics associated with them. City political and administrative élites became active in different policy domains (Lorrain 1993; Balme, Faure, Mabileau 1999).

A 'new' type of public policy was also initiated by the state (urban policy, new social policies, environment...) which gave '*le territoire*', i.e. the sub-national level of government and the social and political groups and actors associated with it, the job of integrating different programmes, to give a territorial logic and coherence to a whole range of actions and policies (Borraz 1999; Palier 1998). Empirical work demonstrated that this was not so often the case and that this integration and coherence supposedly given by '*le territoire*' was more often a myth (a mobilizing myth though) than a reality. Fragmentation and the multiplication of intergovernmental/private-public networks were often identified in empirical research. However, urban élites were also very busy building new alliances and partnership and seemed to be at the forefront of new forms of governance. The rise of local public policies went hand in hand with the debate about urban governance and urban government.

Building policy networks in French cities has been a major change in the 1980s and an active process pursued by local élites. In his work on French local authorities, Borraz (1999) had decisively shown that deputy mayors have become more and more central in local public policies. Beyond classic statements about the presidentialism of French mayors, it appears that deputy mayors (*adjoints*) have seen their role changed considerably in the past fifteen years. In Rennes, and in other similar cities facing the logic of fragmentation and the new political context, some city councils have tried to use deputy mayors to structure some networks around them in different policy domains. Structuring and reinforcing networks, sometimes policy networks, has been seen as a condition of enhancing processes of governance and political capacity, to reinforce power of both.

The restructuring of the state on the one hand and the long march of local and regional authorities in France on the other, has created a context within which the issue of policy network has become more relevant in general.

These questions are now examined in a specific case. The city of Rennes, with 350,000 inhabitants in the urban area, was once a small 'boring' old provincial town, which has enjoyed a remarkable growth since the 1950s to become a dynamic regional city. It is a classic French city with a relatively weak industrial sector (except car industry and food processing), a dynamic high-tech small firms sector and a powerful public or semi-public sector (hospital, university, research) plus commerce and services associated with a regional capital (Brittany). It enjoys strong political stability and long-term mayors (Mayor Freville 1953–1977 and since then Mayor Hervé, a former socialist minister) with strong leadership and a rather modernist forward-looking administration (Le Galès 1993) despite increasing tensions

in the '1990s (Vion 1995). Rennes is therefore characterized by a relatively well-structured mode of governance.

The research

Following a research on local society and urban governance in Rennes, some detailed policy research were done in the mid-1990s. Issues related to economic development and social policy which are often central to urban politics research are neglected in this paper (see Loncle 1998; Cole and John 2000). The paper deals with two policy domains (culture, planning and private development) in one city which are important domains in terms of public policy for urban élites in French cities. The project was conducted with postgraduate students at the Institut d'Etudes Politiques de Rennes (Centre de Recherches Administratives et Politiques), specifically M. Leprete, F. Pruneiras and A. Vion.

One method was to follow the quantitative analysis which was at the time pursued by Cole and John in four cities including Rennes. In their industrious attempt to collect quantitative data in Rennes (and in Lille), mapping relations between decision makers, they faced considerable difficulties (although they appeared to be more successful in Southampton and Leeds). The classic problem of data collection in network analysis seemed in that case, wrongly or rightly, too difficult to handle to come out with significant results. As John put it in one of his papers, it proved particularly difficult to unpack political relationships:

The political world accentuates the difficult but often undiscussed boundary problem in social network analysis. The methodological problems, however, are more a case of the challenge of operationalising an imprecise concept than a cause for despair. . . . it is possible to apply network analysis to policy relationships providing researchers recognise the complexity and multi-layered nature of the political world and sensitively overcome the operational difficulties (John 1997, p. 5).

However, he has developed a quantitative approach which is very stimulating and he got results (John 1998). At the local level, previous research has demonstrated the ambiguity of deciding whether relations were between organizations or between individuals within a fragmented environment. In the particular context of a French city, with the historically rooted strong political legitimacy of the mayor, it seemed quite a challenge to overcome. In order to complement the research previously mentioned, but also because we remained puzzled by the gathering of data in the network analysis, we chose to follow a more classic qualitative analysis in a city we already knew quite well.

The idea was for each policy domain to classically identify the actors involved, the organization of interests, the processes, the policy outcomes and the changes over a decade, and to concentrate on the relations between various actors. In relation to policy outcomes, the question was to what

extent policy goals and outcomes are shaped by the interactions between actors associated with each domain (policy networks if there is such a thing), or by an urban élite which manages, to some extent, to integrate different networks within a collective strategy for the city.

For the sake of this paper, two policy domains are briefly examined which are relevant for the city in terms of public policy within the French context and which are characterized by some sort of policy network. Instead of a detailed analysis of the policy networks as such (actors, exchange of resources), the paper stresses their dynamics in relation to the city council.

Culture

In Rennes, as in most French non-industrial, middle-sized cities, new public sector middle classes in the 1970s (related to the left and to the Socialist party in particular) pushed for more cultural spending. Once in power (in 1977 in Rennes, in 1981 in government), culture was even more on the agenda (15 percent of the budget). The cultural policy relies heavily upon public spending. Actors in that field in Rennes comprise : the local council (*municipalities* and *district*), the ministry of culture and its different components, including its regional representatives (DRAC), major cultural centres (community centres, theatres, orchestra, cultural centres of various kinds), the *associations*, a multiplicity of small groups, small centres, the professionals, plus some private firms, consultants and festival organizers. The boundaries of the cultural domain, although in permanent expansion in order to take into account new forms of artistic expression for instance, are not too difficult to identify. The sector is strongly organized in bureaucratic terms: a ministry, a strong department within the local authorities, institutions (Maison de la culture, theatres, etc.).

In 1984, an important study by Urfalino and Friedberg accurately described Rennes cultural policy as 'Le jeu du catalogue', i.e. there was no such thing as policy but rather a never ending growth of spending in more cultural centres, more artistic forms, more small groups and associations. Most dynamic local groups would find money for instance to create a rock festival, a modern dance centre, a venue for teaching photography, a film festival, etc. That logic only increased once a socialist government was also elected in Paris; the cultural minister followed the same logic nationally, and his colleague in government, Mayor Hervé (thanks to the well-known *cumul des mandats*) was able to exert effective pressure to channel more public spending to support Rennes' expensive cultural policy. In the 1980s the city council supported more prestigious projects and festivals to build a new image for the city. It developed new cultural forms related to new technologies and raised the national and international profile of local institutions such as the Maison de la Culture and the most important festivals. Also new private sector partners were progressively associated with different projects in order to get new funding, even if the council still heavily financed community groups and organizations more or less related to the cultural field.

This ambitious expansion led to a major financial crisis in 1989. It provoked a far-reaching review of cultural policy, a restructuring of the council's own organization, and the end of '*le jeu du catalogue*'. Hard choices were made, some festival and cultural centres were closed. The flagship institutions were reorganized with a new structure, including private sectors and a management who knew something in the cultural field and understood financial constraints. The financial relations between all small groups and the city council were reorganized, including review and evaluation processes for the first time, and professionalization became once more the priority. Priorities became limiting financial risk and supporting major internationally known institutions and small local ones. Beyond the crisis, long-term priorities remained, namely important financial support for culture, to develop Rennes as a cultural metropolis (there is plan for a new high-tech modernist cultural centre), and to support small local groups and initiatives.

This policy network has been partly created over the period and it was a deliberate policy by the deputy mayor in charge of culture, to create and strengthen such a policy network in order first to raise Rennes' cultural policy, national and international profile and second, to be able to limit spending and financial risks.

Changing relations between the state and city councils meant that the relations were less hierarchical than before and that different types of negotiation procedures were institutionalized (contracts, conventions, agreements, partnerships) (Lascombes and Valluy 1996). Individual bureaucrats, or cultural institutions managers have learned the new rules, and have developed contact horizontally and vertically in the ministry in Paris. There is a policy network which includes top officials and bureaucrats in the cultural field in Paris, Rennes city council and the head of the major institutions and festivals. Of course, beyond the core which has been organized as a policy network, there are still hundreds of small groups, involved in different cultural activities. After the financial crisis of the late 1980s, a half successful attempt was made to organize these groups and their relations with the city council. Some initiatives manage to attain success and to become competitors in the main established cultural centres and festivals. Regularly, the city council has to review its relations with some actors in the pack. There is therefore a large periphery of small actors in the cultural field, which have some resource exchanges with the council, but they are loosely integrated. The cultural milieu remains, however, very fragmented because the professionals tend to specialize in electronic arts, jazz, children's books, modern dance, architecture or abstract painting, etc. (Négrier 1996).

This diversity of small and middle-sized groups and organizations in the cultural milieu in Rennes is such that it gives the council the opportunity to influence and organize this milieu in order to attract support for its own priorities. The policy network was strengthened as a result of the council

strategy. A policy network is a way of exchanging information and reducing uncertainties. Some professionals working in Rennes have their contacts in Paris and the information they get may be crucial in modifying some actions, or getting extra money. The policy network helps to raise Rennes' profile within the national cultural policy domain. Also, by stabilizing a network, the council is able to exercise some control over the cultural sector, including political control. After a period when it was nearly overwhelmed, a policy network proved useful and effective to help make unpopular decisions and establish some priorities. Finally, the council reshaped the policy network, for instance to involve private sector partners for finance initiatives (about 80 firms were involved). Inviting them in required some insurance in terms of risk taking, and trusting in the reliability of the cultural organizations involved. The policy network proved effective in creating these conditions and in enhancing collective capacity.

Last but not least, the structuring of the policy network in the cultural area was an effective move for the council in a different way. The first part of the 1980s was a turning point for Rennes when the Mayor-minister, business and trade-union leaders, local state representatives and major local institutions (the universities for instance) were brought together in some sort of partnership and designed a grand development strategy. It was decided to mobilize all local actors and outside organizations in favour of that plan. It was built around the idea of culture, research and new technologies to enhance Rennes' economic development. Culture was seen as a major asset in the strategy which had to be enrolled. The grand design was also very much value oriented. Since the 1960s, most élites in Rennes were socialized within progressive catholic (including leftist ones) and regionalist movements and went through the local university. It was argued before (Le Galès 1993) that social cohesion, humanism and urban entrepreneurialism had to go hand to hand. Rennes, with Grenoble, had been at the forefront of urban modernization since the 1960s with a clear emphasis on social and cultural priorities. That particular mixture (also due to the absence of a real bourgeoisie, or a working class, the élites mainly come from the university and the public sector) and a tradition of co-operation and collective action helped to design and implement that agenda. Culture being at the forefront of the strategy, it was seen as essential to structure a policy network in order to mobilize culture and cultural organization. In practice, policy orientations in the cultural field since that time, for instance the new projects in the 1980s and then the restructuring in the late 1980s, were implemented in line with the main orientation of the city's overall strategy.

We have reasonable evidence to suggest that policy outcomes in the cultural domain were strongly oriented by the city council in terms of allocation of funds. Politically, festivals and various cultural initiatives were used to enhance the image of the city and to mobilize local groups (for instance the strong student community and the universities).

What is of course missing in this brief account is a detailed analysis of

what is exchanged within the policy network. Briefly, the Ministry of Culture mainly provides money, expertise and contacts; it legitimates projects, giving them credibility, and sets terms of reference. It keeps a strong bargaining position because it has to make choices between demands from all over the country. Rennes City Council has resources; it can implement national policies and give support and acceptability while adding resources to them; it has important room for manoeuvre. Local cultural élites, especially those in major festivals, organizations and centres are dependent upon the other two in terms of resources. However, in relation to the local authority, their success, or the absence of catastrophe is crucial politically; their political support at times can be highly valued for electoral reasons. In the current situation of urban politics in France, urban mayors believe they have to have a high national and local cultural profile. The symbolic values of culture are important, being highly visible in terms of the image of the city and its political leaders. Cultural local élites have a major contribution to make in that regard. Failures can be very damaging politically as culture is seen as essential for some social groups such as young people and the middle classes (Vion and Le Galès 1998).

In the case of the cultural domain in Rennes, the policy networks largely reflect power structures. The structure of the network is so biased in favour of the council and its satellites that it was to be expected that the effect of the policy network on the actors choice would reflect the council's line. It should also be noted that there are many cultural networks which are more autonomous and hardly involved in policy making. The two major policy changes of the past fifteen years both took place at the Council's instigation: (1) after 1983, when the governance of the urban area was structured around a territorial pact and cultural policy was changed in order to support the development strategy for the area; (2) after the financial crisis of 1989, which was the external shock leading to a more limited and closely integrated policy network.

Urban planning and property development

This policy domain is characterized by the long-term stability of a policy community bringing together the city council and private developers. Rather than the growing autonomy of the policy community (as defined by Marsh and Rhodes 1992), the story shows how a political leader (*maire-adjoint*) first pushes forward more institutionalization and secondly develops strategies to bring this policy community closer to the overall political strategy of the council. If no actor can determine the strategy of the other, and one is consistently in the driving seat, this establishes the parameters for collective action and controls the elaboration of a set of rules and norms within the policy community. The relative political stability of the city council gives it strategic opportunities over market actors, particularly in times of crisis.

The whole urban planning process cannot be presented. In Rennes, the

local authority is highly interventionist and organized in urban planning matters and is widely recognized (and criticized) for its expertise and relative success. Political leaders have used all the (considerable) legal resources they had to control the development of the city, which has the highest rate of social housing of any major French city, in order to keep the right social mix, to prevent the gentrification of the urban centre, and maintain social cohesion within the urban area, thus preventing anarchic speculation but also attracting some middle classes. This policy has not been only pursued in a bureaucratic way. The council (at the district level) has heavily developed its contacts, co-operation and expertise to get detailed information about developments, in order to manipulate state policies in conjunction with their own strategies, thus influencing public and private sector actors.

The council's policy has been to control strictly the land and to negotiate private developments with real estate companies. This is not original in a French context. However, in some cases, for instance in communist-led cities, most developments have been constructed and managed by public sector organization, often the council itself. By contrast, some cities have given a much bigger role to the market and national private developers. In Rouen, for instance, the rich local bourgeoisie and its elected leaders have left a lot of autonomy to private developers. In other cities, the councils have left large developments in the hands of major national private developers (usually related to banks, insurance or the three mega utilities and construction group, i.e. Bouygues, Generale des Eaux (now Vivendi) or Suez-Lyonnaise). The latter offer integrated projects with their own studies, experts and finances. However, for the last thirty years, Rennes City Council has worked with a small group of private developers. The progressive Christian democrat élite in the 1960s wanted decent homes for all. They did not like major private developers from Paris (we are in Brittany) who only come to make money. They worked closely with a group of local small and middle-sized private developers, a tradition which has been pursued and developed in the 1980s. The council itself means, the city council, the district council, semi-public organizations related and dependent upon the council (*société d'économie mixte*), the urban and economic development planning agency. There are about thirty private developers (including a small number of co-operatives) who work with Rennes on a regular basis and the four main ones have been there for thirty years. For them, the business they do in Rennes is relatively stable and either represents a high proportion of their business, or is a stable part which allows them to take risks outside the area.

The local political élites and experts have decided to control and regulate the market. They have strict planning regulations, long-term guidelines on future development. They set norms for the conduct of different developments (including consultation with the inhabitants and environmental considerations) and they require a long and detailed preparation for each

project. One consequence of this is the cost of entry to the Rennes market for an outsider is very high. An outsider who wants to build offices or a building, or houses in Rennes knows he takes a risk because on average, more than 80 percent of the work (opened to competition) including all the interesting projects go to local private or semi-public developers. Second, in order to make things difficult, the detailed rules of procedure require a high investment in time and money to comply with them. Third, informal rules have been created so that the council can protect local private developers from outside competition, in particular from leading national private developers (Leprêtre 1996). For instance in the 1980s, France's number one real estate agent, which had branches all over the country, decided to open a branch in Rennes in the mid-1980s, confident it could break in to the market as it was able to bring in major financial investors from Paris. The branch was closed three years later. The local urban planning and development 'Mafia' or policy community never let them in. The council imposes strict and demanding rules and constraints on private developers but then, it negotiates with them. When a private developer bids for some middle-class houses, well located on the river, it usually has, informally, to agree to build some social housing in a difficult area as well. If he fails to do so, he is excluded from future schemes.

The council ensures that there is some balance between private developers; everybody gets some work. If one developer faces serious trouble, there may be some ways to give him some more work. Also the council is very strict about the balance of the market. It was highly interventionist in the 1980s to control prices, and prevent speculation. Therefore, when the crisis happened in the early 1990s, there were no difficulties in Rennes. There was no overcapacity (at a time when in other bigger cities such as Toulouse or Bordeaux, not to mention Paris of course, there was considerable oversupply of luxury flats, office and commercial space); not one private developer went bankrupt (by contrast to nearly everywhere else), and prices remained relatively stable. All this does not happen without conflict, of course. There is an intense permanent bargaining process and semi-open competition between developers, real estate business and the council. The relative success of the policy is dependent upon the behaviour of private developers, their willingness to respect norms and rules set by the council. It is a clear example of a localized exchange which also includes a political dimension. The council gives long-term stability, even support in times of crisis. This exchange is however dependent upon long-term growth so there are no hard choices to be made. Also, over the years, there is a clear effect of institutional creation, the development of written rules and procedures which structure the exchange.

Over the years, the co-operation within this close policy community led to a process of institutionalization in particular, through the signature of a general guidelines documents, a *charte* and local private developers have a serious say in discussing the future plans of the council and the rules of

the game. They are also integrated in the collective construction of a project for the urban area. Once a private developer is part of the policy community, all the informal contacts and arrangements make it easy to fulfil the constraints imposed by the council and even allow room of manoeuvre for arrangements between several programmes with different partners. In others words, in the 1980s, when the city of Rennes enjoyed economic growth and a more favourable institutional environment, political leaders within that policy community did not let things stand still. On the one hand they reinforced the institutionalization of the policy community to increase its closure, but on the other hand, they did not play the autonomy card. By contrast, and in close co-operation with the city mayor, successive council representatives developed strategies and invested considerable political resources in successfully integrating this policy community within Rennes' collective project. The exchange within the network has been widened, away from the strict regulation of the market. The mayor and his *adjoints* have done some 'political work' to mobilize the community within the larger project of the Rennes metropolis which is not just about being more entrepreneurial but obtaining a social democrat balance. In order to do so, political entrepreneurs have been active in modernizing a set of ideas (a cognitive frame) which has been dominant in Rennes for several decades.

So, the dominant logic of network management is not related to efficiency or bureaucratic coordination. The community has been reinforced and instrumentalized within a political project. Within, the policy community, the bureaucratic parts of the city council are one set of actors amongst others. But the mayor and his *adjoint* retain the legitimacy and the willingness to lead the policy network.

CONCLUSION

The French context of changing public policies (particularly decentralization reforms) has led to the multiplication of partnerships, contracts, various arrangements to institutionalize patterns of co-operation between different actors (often first and foremost within the public sector), hence the salience of policy networks. Rennes' political élites have developed, institutionalized and instrumentalized policy networks. Their leadership has rarely been challenged. The political legitimacy of the French mayor remains extremely strong and his leadership is not often challenged.

Beyond political leaders, key actors appear in many policy networks. There is no such thing as a clear segregation between the sectors but just the opposite, quite a considerable overlap between them. The mayor, some deputy mayors have not only a crucial mediating role but also a guiding role. In that respect, this work gives a large support to Smith's insights: at the local level, policy networks do not matter that much, but networks of actors, which are not specifically oriented towards one policy sector, matter very much. Among these actors, the legitimacy attached to the mayor gives him a pivotal role in modifying and implementing public policies. As the

CEPEL (Centre d'études des politiques et des espaces locaux) has suggested (1996), there is now a new brand of experts in urban networks who are experts in mediation, intergovernmental relations and coalition building. However, this is also a very political process which requires a lot of 'political work' (Le Bart and Fontaine 1995) and is always difficult and rarely successful. Urban élites tend to develop 'common vision', and long-term projects, to enhance collective action and political capacity, although in more classic Marxist terms, it could accurately be described as the making of a hegemonic project.

In our example, networks strongly reflect existing structures of power, existing hierarchies, which is also the conclusion of the Cole and John studies (2000). There are implications. Because of the overlap between networks (the two together), the articulation of networks is likely to be much more important than the effect of the policy network as such even in one policy area. At the very least, it becomes highly risky to try to explain policy outcomes through the study of only one or two policy networks.

However, the Rennes case is, once again, an example of a high degree of cohesion and voluntary effort in integrating various networks, which is far from being the norm. The political dimension of the exchange (including legitimization processes) is essential to understanding the dynamic of policy making and the day-to-day implementation. In Rennes, the governance relies on institutions, networks, and to a large extent, shared values which have been put together in a long-term strategic plan though some sort of territorial pact. The city also reflects social relations within the urban area. Under these circumstances policy networks are strongly determined, shaped, and oriented within the locality; they are embedded within a set of social relations. Explaining policy outcomes through one policy network runs the risk of missing the most important factor.

From this perspective, European urban élites, or rather some of them, seem to have assets and resources (including political resources) in an institutional context which is marked by interdependencies and institutionalized negotiation, at least to reinforce cities (or regions) as political arenas or to encourage them to behave as political entrepreneurs and to aggregate different networks. One should point out that these forms are still limited or that, on the contrary, the pressure from market forces is compelling different actors to demand horizontal co-ordination, indeed political structuring, in order to protect themselves from the de-structuring caused by markets (Bagnasco and Le Galès 2000). In many ways, these points partially outline a field of research. But they are evidence to suggest that the creation of regionalized and urban forms of governance has become an objective for different actors and interest groups. When this integration becomes weaker for whatever reason (national political reasons for Mayor Hervé after 1991), the networks tend to get more autonomy and more bargaining power.

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PUBLIC MANAGEMENT

WORKS IN THEORY BUT NOT IN PRACTICE? THE ROLE OF THE PRECAUTIONARY PRINCIPLE IN PUBLIC HEALTH POLICY

KENNETH CALMAN AND DENIS SMITH

INTRODUCTION

What they're short of is imagination. Officialdom can never cope with something really catastrophic.

Albert Camus 1948, *The Plague*, p. 105.

Camus's novel about a town's response to plague reminds us, through the medium of fiction, of the apparent fragility of modern living. This fragility exists despite our technological and scientific advances. What emerges though the narrative of *The Plague* is the organizational and human response to disease and the limitations of management fully to conceptualize the extent of the problems that they face. In more recent years, such notions of risk and probability have become dominant constructs within many of our discussions about modern living (Beck 1992; Erikson 1994; Giddens 1990) and yet they still often prove to be both elusive and emotive issues for policy makers to deal with (Smith and Toft 1998). Given the sheer complexity of these hazard issues and the extent of the uncertainty surrounding them, we should not be surprised at the high level of concern that people seem to have over the range and nature of the hazards that they face. Risk is not a recent concern, however, and humans have shown

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a remarkable ability to devise defences against many of the problems that arise out of our technological development. Consequently, subsequent generations have expressed similar concerns about hazard, albeit in different contexts and set against different standards of acceptability. For example, current debates about the risks associated with BSE and genetically modified foods can be seen to provide an echo of earlier debates on both pesticide use (Carsen 1962) and cancer risks (Steingraber 1998). The literature on risk provides us with constant warnings of such hazards as: global warming, toxic waste, nuclear radiation, genetically modified organisms, growth hormones, treatment resistant viruses and pesticides. What prompts some dire warnings to go unheeded, when concern is high around other issues, remains a central component of risk debates (Smith and McCloskey 1998). The origins of this paradox lie in a number of factors including: the voluntary – involuntary nature of the risk, the sense of helplessness felt by potential victims of the hazards, delayed versus immediate effects of any exposure and the manner in which the hazard (and the uncertainty surrounding it) is communicated to those affected.

It is clear from the range and ferocity of hazard debates that the various protagonists will often take fundamentally different stances regarding the nature of the problems under consideration and the potential solutions that exist to mitigate the hazard. Indeed, some have argued that it is difficult to find a mutually accepted solution to a problem when it is clear that the various actors in the debates define the problem in quite different ways (Weick 1988, 1993, 1995; Weick and Roberts 1993). What invariably frustrates policy makers is the manner in which groups can express concern over one set of hazards whilst, at the same time, exposing themselves to potentially greater hazard through other activities. The history of policy initiatives for risk management is littered with attempts to 'educate' the public (often termed the deficit model) or, more recently, to 'communicate' the risks more clearly to them in the hope that they will modify their behaviour accordingly. However, this approach might be seen to create a setting in which the views of experts are given greater weight than those of the groups who are exposed to the hazard. More recent research sees the determination of hazard (and, by implication its acceptability) as a negotiated process between protagonists in the debates, with a recognition that risk is a social construct (Irwin 1995; Irwin and Wynne 1996; Reddy 1996). This is particularly the case in those situations for which there is little or no *a priori* evidence for both the probability and consequences associated with the hazard (Sheldon and Smith 1992). Inevitably, conditions will arise when it is not possible to find a compromise position between the protagonists, and the state (operating within its regulatory function) will need to intervene in order to prevent a particular activity from taking place. Such an intervention, and the use of a 'precautionary principle', raises a number of key managerial and research issues. For example, to what extent should the state curtail the use of certain products or prevent certain activities when

the hazards themselves are unclear and causal relationships are blurred? Put another way, do or should organizations act with sufficient caution in decisions which have a high implicit hazard potential but where the probabilities of occurrence are low or unknown?

The purpose of this paper is to explore the central dynamic of these relationships by reference to the notion of the precautionary principle and its role within public health policy making. In particular, it seeks to address the following issues. Firstly, it seeks to clarify the concept of the precautionary principle within health and healthcare policy making. Secondly, it attempts to examine the central role of expertise within risk debates. Thirdly, it attempts to establish a framework within which policy making could reflect more on the core elements of the precautionary principle. Finally, the paper aims to encourage further debate on the framework proposed, specifically as it applies to health and healthcare. Against a background of high profile public health scares, it is not surprising that the concept of risk has attracted increasing interest over the last few years. As part of this discussion, the term 'precautionary principle' has been widely used to justify regulatory actions taken to protect the health of members of society. The term, however, may be used in different contexts and with different implications and it is important, therefore, to explore the key elements of the concept.

THE PRECAUTIONARY PRINCIPLE

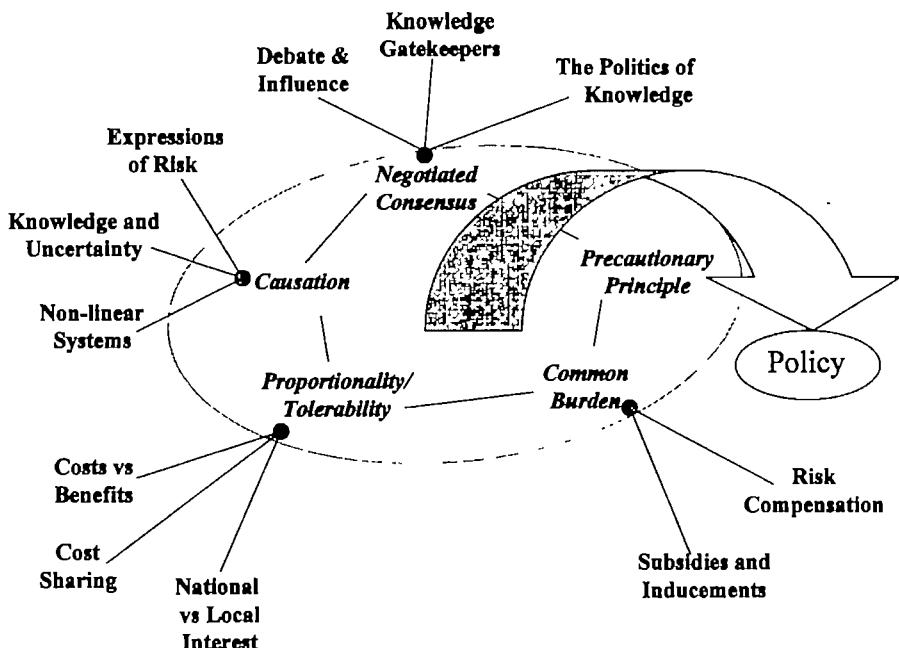
The origins of the precautionary principle can be traced back to German environmental policy debates (Boehmer-Christiansen 1994; Deville and Harding 1997). The German concept of *Vorsorgeprinzip* is seen to be an interventionist process (often by the state) in those areas where there is the potential for harm, but it does not preclude (and indeed may presume) the fact that mistakes can be made (O'Riordan and Cameron 1994). The concept includes a strong protectionist element and the notion of (environmental) sustainability is a powerful element within it (Deville and Harding 1997).

The precautionary principle, or *Vorsorgeprinzip* as it was originally conceptualized in Germany (Boehmer-Christiansen 1994), has a number of important elements and these have been outlined by a number of authors. The first of these is the notion of precaution, which could be interpreted as requiring the risk generator to show that there is no significant hazard or that the hazard is outweighed by other factors (O'Riordan and Cameron 1994). This creates a situation in which the power of the expert becomes a central element within such debates involving the use of the precautionary principle, especially for those hazards which are complex, ill-defined and for which there is little, if any, a priori data. This clearly leads into the second element of the principle namely *Wirtschaftliche Vertrebarkeit* or proportionality in terms of the cost-benefit relationships (Boehmer-Christiansen 1994). In health terms, a treatment that has serious side effects but offers some hope for mitigation can be administered if the alternative is

death. In reality, however, such debates are invariably more complex and centre around such issues as who bears the cost and who derives the benefit. Invariably, the two are not the same. The third element concerns the principle of causation – often termed the polluter pays principle (Boehmer-Christiansen 1994; Deville and Harding 1997; O'Riordan and Cameron 1994). In complex, ill-defined risk debates, the burden of proof is often difficult to determine and so notions of who should pay for the damage becomes clouded and a matter for the courts. The final elements concern the notion of consensus and the concept of a common burden. The notion of *Kooperation*, sees the development of consensus between the interested parties and that this is done through the intervention of the state, which assumes an overall responsibility for the health of the nation (Boehmer-Christiansen 1994). Clearly, this requires that the state adopt an interventionist stance in matters of conflict and this would clearly be affected by the political will of the government to do so. The concept of *Gemeinlast Prinzip* assumes that a common burden of any problem be born by the collective (Boehmer-Christiansen 1994). Again, the state occupies a central role here in terms of providing compensation to victims and this may be funded by a levy on the polluting industry or hazard generator. The interaction of these factors creates a complex web of issues that have implications for our current discussions.

The issues that emerge from the precautionary principle are shown in figure 1. Of particular importance here are the notions of knowledge gate-keepers, the politics of knowledge and the acceptability of hazard; the expressions of risk and the communication of uncertainty; and the concept of emergence within non-linear systems (Smith 2000). The interaction between such issues creates problems in terms of risk communication, the power of vested interest and burden of proof problems, which can all serve to mitigate the impact of the principle in practice.

In discussing the policy implications of the principle, O'Riordan and Cameron (1994) argue that there are a number of preconditions that are necessary in order for the principle to be an effective tool. The first of these is that the regulatory regime, in which new technologies are assessed, is robust. This inevitably requires the strict enforcement of existing legislation by some form of (expert) inspectorate and that this regime is sufficiently resourced to make it viable. The importance of expertise in this process raises significant questions about the role of technical élites within both policy making and enforcement and their neutrality in issues of conflict (Fischer, 1980, 1990). The second element is that the various public groups are knowledgeable about the issues under consideration and that they can engage in meaningful debate in an open forum (see O'Riordan and Cameron 1994; Irwin 1995). In addition, these public groups must also be sufficiently risk-adverse so as to require the imposition of constraints upon the activity (O'Riordan and Cameron 1994). Clearly, a risk taking population would have little need of a precautionary approach and a non-inter-

FIGURE 1 *Issues arising out of the precautionary principle*

Source Smith (2000)

ventionist free market would be unwilling to impose much in the way of constraints. The key issue here centres on the knowledge base of the various publics and the manner in which they can effectively intervene in debates about hazard within the context of a democratic society. O'Riordan and Cameron's third point concerns the flexibility that exists within the regulatory framework in order to allow for a degree of interpretation and judgment on the part of the regulators. Clearly, if interpretation is not allowed, then a precautionary approach cannot be taken, as regulations may not exist for the activity in question. This leads to the forth point which concerns the need for open and accountable government (O'Riordan and Cameron 1994). This is particularly important if the state, or elements of it, is to assume a central role through the notion of a common burden and a negotiated consensus. Finally, the policy has to be implemented within a national framework of intervention in which care for the disadvantaged is well established and social exclusion around issues of hazard is not tolerated (O'Riordan and Cameron 1994).

It is clear that for a precautionary approach to work, then the state has to assume a central role within the risk management process. Historically, the state has taken a central role here, largely though mechanisms of social insurance in which the state served as an expert community to make judgments on the acceptability of risk (Rose 1996). Whilst such an approach

generated criticisms of power and paternalism within risk debates (Smith 1990) it did provide a baseline for public security that becomes lost in non-interventionist political systems. The moves towards deregulation and, in particular, self-regulation have created potential problems for the victims of hazard who face becoming more socially excluded because they do not have the legitimized, 'expert' voice with which to participate effectively in the debate (see Smith 1990, 1995; Smith and Tombs 1995). As the notion of government moves inexorably away from the traditional view, one might question the implications that this has in terms of the precautionary principle. This is especially important where government seeks to 'roll back the state' and introduce competitive forces into its central functions. Problems for the precautionary approach can occur within the framework of a new public management, especially where governments are more concerned with an audit of the regulatory production process than with an assessment of their effectiveness and enforcement (see Morgan 1999).

Despite its current stated popularity amongst policy makers, the concept has also attracted severe criticism. For example, Furedi (1997) has claimed that the principle 'suggests that we are not merely concerned about risks, but are also suspicious of finding solutions to our predicament' (p. 9). Heroin lies an apparent paradox. How do we ensure that our 'solutions' to problems do not in themselves create even greater hazards? This has created a sense of insecurity (see Cohl 1997), which Furedi (1997) argues is typified by the number of health scares witnessed in recent years. If we are overly cautious in our approach to risk, then it is conceivable that our inaction may generate more significant hazards than the activity that we are trying to manage. Ultimately, this becomes a debate about the acceptability of a portfolio of risk, which is by definition, more of a socio-political problem rather than a technical-scientific matter. The issues here centre on full disclosure and informed consent and require that an active attempt be made by the risk generators to communicate in an open and effective manner.

THE NATURE OF RISK

There is little doubt that 'risk' is a much misused and misunderstood construct. At its simplest, we can see it as being expressed in terms of the probability that a given hazardous event will occur and that this event will have consequences, which are deemed to be negative by some, or all, of those who are exposed to it. In such a context, it might be prudent to constrain the activity that gives rise to the hazard, especially if there is a lack of clarity over causality. Where the issue becomes blurred is in terms of those events in which both active intervention and in-action can give rise to a hazard. At what point here do regulators deem an intervention to be justified and what form should this intervention take? At its crudest, this becomes a 'burden of proof' debate, with those who can muster the greatest evidence being the most likely to win the argument. At its most complex, it becomes a socio-political conflict over the acceptability of risk, even under

those conditions where the nature of the risk is not proven. This raises an important question, namely to whom and over what time period is this risk (i.e. probability x consequence) acceptable?

The acceptability of any risk will vary according to the derived benefit obtained by those who generate the risk, the range of alternatives available to them, the immediacy of the harm/benefit associated with the risk and the possibility of further corrective action to mitigate the consequences of the action. If we add to this, the mediating role of expertise (in providing an evidential basis for the decision) and the inherent uncertainty in those cases where a precautionary principle should usually be applied, then it is clear that there is considerable scope for ambiguity and conflict concerning the development of any precautionary policy. If this is set within a weak or ambivalent regulatory framework, then a precautionary approach will simply break down.

Part of the problem here centres on the 'trans-scientific' nature of certain problems (Weinberg 1972) in which it is held that the issues go beyond the abilities of science to prove. It is the inability to predict the 'emergent properties' associated with processes, products and systems that creates the problems involved in managing the risks associated with such emergence (Fortune and Peters 1995). The notions of linear and cause-effect relationships in complex problems has attracted considerable attention within the literature (Lupton, 1999; Shrader-Frechette 1991, 1993; Tenner 1996). The intergenerational effects of exposure to certain substances, adds a further dynamic to the issues of causality, as witnessed by the debates on low-level radiation and genetic modification. Difficulties in proving causality outside of the laboratory context remain, however, a significant problem for policy makers. 'Not knowing what we don't know' remains a major difficulty in dealing with emergence, and one which may not be rectified by expert committees, especially when that expert group operates within the same set of assumptions and beliefs about the issues. Reddy (1996), for example, has called for more 'alternative and more humane conceptions of indeterminacy to substitute for the dominant scientific approach to uncertainty' (p. 224). This raises a significant challenge to the system of expert committees that are currently in use within the UK. Whilst such a shift may be difficult to achieve, the effective use of the precautionary principle by such committees is an important first step on that path. For problems that are indeterminate, the recognition that other forms of knowledge – including that held by workers, consumers, local public groups as well as those charged with implementing policy – should ensure that the precautionary approach is more readily adopted. Similarly, the emergent properties associated with complexity may also be better understood by reference to this wider body of 'knowledge'.

Within any scientific analysis, the notion of proof is a central underpinning concept. When we move science outside of a strictly controlled laboratory setting into the 'real' world, then problems of intervening vari-

ables weaken the process of experimental determinism. Without proof, decision makers invariably factor other issues and considerations into the process. In so far as this process is open and explicit, then it may be deemed to be acceptable within the confines of a democratic system of government. By failing to acknowledge such weakness in the evidential approach, the policy makers could be seen to be acting in a manner that runs counter to the precautionary principle. A central element here, therefore, is the notion of expert opinion (Fischer 1990; Lasch 1995). Further problems are caused by the weak evidential basis for determining emergence, causal relationships and their associated consequences, especially in those cases where there is little *a priori* data. For delayed-in-effect hazards (associated with the exposure to a substance where the consequences are only negative) one might want to ignore expert *opinion* and apply the precautionary principle as a matter of course. Clearly in these cases, some form of 'harm' is the only certain outcome and policy makers might therefore choose to ignore any derived benefits. Some would argue, however, that in many cases the power of interested parties could be an important dynamic in shaping the manner in which the precautionary principle is applied. This claim is given weight, for example, by the ability of the powerful tobacco lobby to resist stricter controls during the period within which both the risks from smoking and the associated costs have been made known (see Adams and Young 1999). This clearly raises questions of an ethical nature that can be contextualized within the broader literature on medical and business ethics.

Put simply, the precautionary principle is akin to Sethi's (1975, 1983) notion of Corporate Social Responsibility in which organizations seek to anticipate the likely social demands placed upon them or, in areas of uncertainty, the possible impact of their actions on current and subsequent generations. To be effective therefore, the precautionary principle requires either an effective anticipatory regime of enforced regulations or fundamental changes made to the core beliefs, values and assumptions of organizations. Both strategies bring with them problems of efficiency and effectiveness. Regulation can only be effective if a strong programme of enforcement exists and appropriate penalties for violations accompany it. In addition, it requires careful monitoring to ensure that it is implemented in the manner that was proposed when the regulations were enacted. Regulatory drift – where the regulations in force do not match the problems generated by the activity – remains a significant problem along with policy implementation. On the other hand, changes in the belief and value systems of an organization are, without doubt, an effective means of ensuring that the precautionary principle is used as a matter of course, irrespective of the role of the state or the regulatory regime in force. However, this is invariably a process that takes time to develop and one that may fail if there are changes made in the senior staff of the organization. These are important problems of policy implementation, which demand attention from those who seek to introduce the precautionary principle.

THE PRECAUTIONARY PRINCIPLE IN PRACTICE

By invoking the precautionary principle (as it is currently conceptualized) we generally envisage a move by the state towards a situation where legislation is enacted to protect those sections of society who are at greatest risk. In part, this is somewhat at odds with government policy over the last twenty years, which has sought to remove regulatory constraints on business (Smith and Tombs 1995). However, such a reliance on legislation brings with it a number of problems. For example, this legislation may generate a situation that is:

- (a) restrictive in that choice and freedom of action are limited not only for the individual, but for the good of society as a whole.
- (b) punitive, in that those who do not conform for the good of society are subject to some form of punishment such as a fine, or prison sentence.

One might also question the long-term effectiveness of such legislation as a means of controlling risk. Invariably, legislation often lags behind both social norms and scientific knowledge. For example, smoking tobacco (as a known hazard) could have been banned within any public spaces many years ago on the basis of our understanding of the risks of secondary smoking. Despite such knowledge, legislation has failed, until recently, to curb such activities. A second failing of legislation is that it invariably exists as a process of negotiation in which the powerful have a distinct advantage. All too often, the potential victims of the hazard have little, if any, input into that negotiation. One only needs to examine the development of environmental regulation to witness the impact that large corporate concerns can have on the regulatory process, both in terms of delaying legislation or reducing its severity (Smith 1990). Without doubt, the most effective way of dealing with issues of hazard is to ensure that the generators of that hazard behave in an ethical (or socially responsible) manner. Herein lies the paradox. Invariably, it was a failure of organizations to curtail their hazardous activities that resulted in the legislation becoming enacted in the first place. Ensuring that the necessary behavioural shifts take place within organizations and that these changes are sustained is, perhaps, one of the most difficult and challenging of managerial issues surrounding the use of the precautionary principle.

Given these problems around the implementation of the principle, what is its role and significance within a public policy setting? If society's core purpose is to protect the health and well being of the population as a whole from some risk or threat to health, then society also needs to decide on the nature of the precautionary principle framework within which it is to operate. Policy makers need to identify which risks should come under the purview of the principle and which should not. Of particular importance here is the clear articulation of the reasons why certain forms of hazard would be exempt from the principle. The manner in which we communicate concerns about hazard is important (Committee on Risk Perception and Com-

munication, 1989), as is the ethical stance that we take with regard to issues of full disclosure and informed consent. It is this aspect of the problem which lies at the heart of the decision-making process and which raises the key questions within risk debates. Who should decide? On what evidence? How can potential victims object to the hazard and what happens if they disagree with the mediated response? The following sections try to clarify some of the issues involved in this process and then offer a way to move the debate forward.

MAKING SENSE OF HAZARD: THE ROLE OF EXPERTISE

... it is hard to make common sense when each person sees something different or nothing at all (Weick 1993, p. 636).

All too often, the emergent properties associated with a system can give rise to conditions that challenge the dominant world-view of the way in which that system operates. For example, the Hong Kong flu virus (H5S1) of 1997 challenged the views of public health officials who believed that the H5 avian strains of influenza could not be directly transmitted to humans, despite earlier warnings to that effect from other scientists (see Davies 1999). Earlier research had envisaged that the avian flu virus exchanged genes with a human virus and was therefore able to jump the species barrier (Davies 1999). In late December 1997, the Hong Kong authorities finally decided to slaughter 1.2 million chickens and 400,000 other birds in an attempt to prevent the outbreak from developing into an epidemic (Davies 1999; Centres for Disease Control 1998a, 1998b, 1999). Outbreaks of this nature serve to illustrate the problems of emergence and the difficulties that face public health officials in responding to them.

Clearly then, making sense of such events also creates a serious challenge to the management process and they invariably require the use of a precautionary principle in making such a judgement, as there is often insufficient empirical evidence to justify the actions. In theory, this should not be problematic for management as it could be argued that one of the primary functions of a manager is to cope with such uncertainty. If there were no uncertainty in life, there would be no need to make decisions and therefore, little need for managers. When dealing with issues of hazard, emergence and complexity, this process of managing uncertain outcomes assumes a position of critical importance. Given the role of risk within the management process, one might expect that it would occupy a position of great importance at the strategic levels of the organization. In reality, however, risk is often relegated in importance in organizations, with managers showing greater interest in short-term benefits rather than the potential for long-term harm. The principal issue invariably becomes one of the centrality of technical expertise, especially when we have little *a priori* data upon which managers can base their decision making. For delayed-in-effect hazards the problem becomes further blurred as cause and effect relationships are not

always clearly defined or, in some cases, well understood. It is here that the precautionary principle should assume a critical role and yet it is often neglected in favour of expert opinion, which is grounded in the conventional wisdom of cause and effect relationships.

There has been considerable discussion relating to the role of both experts and evidence within policy making (Collingridge and Reeve 1986; Blowers 1984) and, in particular, for issues of hazard (Draper 1991; Irwin and Wynne 1996; Irwin 1995; Smith 1990) and public health medicine (Aronowitz 1998; Epstein 1996; Miké 1991; Ryan 1996; Thagard 1999). In many cases, the role of such expertise has been put under heavy criticism. Collingridge and Reeve (1986), for example, have argued that the use of institutionalized science within scientific conflicts may not lead to a resolution of that conflict but might serve to heighten it. They have argued that, in highly emotive debates the use of science by all parties to the conflict may heighten the intensity of that debate, because a burden of proof for the policy is difficult to achieve. Ultimately, those who can bring the greatest power (and influence) to bear on the debate are likely also to be able to exert a degree of control over the scientific arguments as well. This is especially the case where the trans-scientific (Weinberg 1972) nature of the problems ensures that there is no clear burden of proof, almost irrespective of the 'quality' of the scientific expertise used. In examining debates involving major hazard sites at Canvey Island, Smith (1990) suggested that the success of scientific interventions might well be determined by the (economic) power exercised by protagonists in the conflict. The extent of this power seemed, in this case, to vary over time and reflected broader shifts in the economic and political environment. What does emerge from this body of literature is the need to ensure that the regulatory agencies are not unduly influenced by 'the national interest' and that they are sufficiently precautionary in the approach to trans-scientific problems of hazard. Given the constrained role of the state within risk management, it seems increasingly likely that the balance of power may shift towards those commercial and industrial organizations that generate the hazard. From a public health perspective, this may well prove to be problematic, especially around the difficult issue of cause and effect relationships – more specifically, it may degenerate to a question of who can we blame for the realization of the hazard?

Once again, the attribution of causality sees the expert occupy a central role. Invariably, the concerns of the public centre around the possible consequences associated with a hazard when judging its acceptability, whereas the 'expert' community may well focus their attention on the probabilistic component of that consequence being realized. In both cases, attention is focused on causal relationships, although the policy outcomes associated with each perspective may be different, especially as the public may tend to be precautionary in their approach. However, clear causal relationships can break down when we move research out of the laboratory setting into the 'real world' (see Neisser 1980). Usually, debates concerning risk do not

take place in the controlled laboratory setting, but in the value-laden ambiguity of a societal context where notions of categorical proof are often elusive. Consequently, we might not expect science to provide a clear solution to these problems and this, in turn, has an impact upon policy making, requiring that greater caution be employed in those circumstances where there is a high level of hazard and uncertainty. The purpose of invoking such a precautionary approach is to prevent a negative event from occurring that might be harmful to health. This intervention may be achieved either by restricting behaviour or by changing patterns of behaviour so as to minimize exposure to the hazard. It is here that the application of the precautionary principle should be straightforward and yet it is also here where it seems to cause the greatest difficulties. In particular, the use of the principle raises a fundamental question. At what point does an organization or the state assume a moral right to impose such changes on a wider population, especially when the evidential basis for the decision is weak? Health care provides a number of examples for the discussion of the principle as it is used in practice.

The Hong Kong flu outbreak, for example, saw calls for the mass treatment of the population with amantadine although public health officials were concerned that this might cause even greater problems resulting from the indiscriminate distribution (Davies 1999). The slaughter of the birds had been an obvious solution for some scientists but, despite such concerns, it took almost a month for the political (and social) will for such a strategy to emerge as a viable strategy (Davies 1999). Parallels with the debates in the UK concerning BSE and GMOs are obvious. At the level of acute care, most surgical operations are associated with risk, yet, except in a few instances (cardiac and liver transplantation) there are few major restrictions upon the actions of those carrying out the procedure. Indeed, the whole practice becomes contextualized within the notion of professional judgement and ethical behaviour. In the absence of strict protocols, clinicians work within the boundaries of what they deem to be their professional judgement and this has raised quite important questions about risk within clinical governance and evidence-based health care (Smith 1998; Treasure 1998; Walshe and Sheldon 1998). Pharmaceuticals, on the other hand, are different. Here, the regulatory authority has the power to license, or de-license a drug. The latter may be done on a 'precautionary basis' because of possible side effects or adverse consequences. The question here is whether the drug should be licensed or removed from the list of prescribable drugs. Thus the use of the drug may be banned completely, or it may remain prescribable. In both cases, it is done in the knowledge that it does have adverse consequences and, therefore, when it is used it must be with the patient's informed consent. In those cases where the drug is used, the benefit of treatment is seen to outweigh the disadvantages arising from its use. Much of the debate in such cases centres on the nature and strength of the evidence available and around the nature of informed consent.

Within non-elective surgical operations there may be a high probability of an adverse consequence, but this has to be set against the likely consequences of no intervention (which may result in a more chronic form of hazard) and the extent of the impact on the wider population (usually limited to a small number of individuals at any one point in time). In contrast the use of pharmaceuticals may adversely affect a considerable percentage of the population and its consequences may be delayed in effect, thus adding a spatial and temporal dynamic to the problem. Under these circumstances, one might argue that the use of the precautionary principle is more straightforward and yet this issue is also clouded by problems of informed consent and evidence-based policy making, making it a burden of proof debate.

A brief consideration of some examples shows that the current operation of the principle is complex. For example, invoking the principle does not seem to be related to the level of risk. If this were the case then cigarettes would be banned. Nor does it seem to be related to the numbers of people involved. If this were so then the very small number of people with peanut allergy would not receive such 'disproportionate' attention, despite the consequences for the individual. Nor does it seem to be related to the need of the majority of people. If this were so then the 25 per cent of cigarette smokers in this country would not be allowed, in many instances, to pollute the environment and cause illness in the majority. Inevitably, in such cases, the freedom of choice of one person inevitably seeks to override the freedom of choice of another. The use of the precautionary principle would appear, on the basis of these examples alone, to be a process that is influenced by a number of factors other than probability, consequence and the population at risk. In order to frame the boundaries of this debate it is possible to identify three major issues, which seem to be evident when thinking about the precautionary principle. These can best be expressed in the form of questions.

1 What is the level of certainty of the risk, and how strong is the evidence?

This is a key issue within all risk debates and one which is often surrounded by conflict and debate. Should action be taken on the basis of a 'hypothetical' hazard, for which sound evidence is not available, even though the risk is plausible and has been identified by someone? What if two or more reputable groups or individuals dispute the evidence concerning both the probability and consequences associated with the event? What if a single-issue group takes up a particular cause and cannot be 'convinced' by the evidence and expert opinion of the level of risk? This is a time when careful and dispassionate consideration of the evidence is required and such consideration should include non-experts in the discussion (Sheldon and Smith 1992).

There is a further and crucial aspect of this discussion, and that relates

to the level of uncertainty surrounding the hazard. This is probably the most difficult situation of all owing to the lack of empirical evidence available to the policy maker. Whilst there seems to be a real hazard, it is unclear what the probabilities of its occurrence or the consequences associated with it might be. There is no way of knowing, other than by carrying out more research or waiting a period of time. In both cases, the additional time delay may serve to expose more people to the hazard or increase the level of exposure to the existing population at risk. Indeed, many hazards are not quantifiable and the human effects of exposure are just not known. In such an instance, invoking the precautionary principle is a matter of very difficult judgement and may have profound social, economic or health-related consequences for little or no benefit.

The role of expert scientific committees might also be raised here. Their function is to examine critically the evidence available and to determine the nature of any possible risk. Government appointed expert committees are composed of both independent scientists and non-scientists and are an important part of the decision-making process. They may wish to suggest action or make recommendations and the government may accept the advice or reject it. One improvement that might be made to this process would be to incorporate the views of the population at risk into the deliberations of the committee. It could be argued that, under conditions of high uncertainty, then the views of as wide a spectrum of opinions as possible would be desirable. However, it should be emphasized again that this is only one part of the decision-making process; other implications will also be considered by ministers. The process is ultimately a political one and the problem occurs when it is portrayed only as a scientific (and therefore rational) process. As we have already argued, the use of the precautionary principle is itself dependent on such political and social issues. However, potential problems arise if the state moves away from an interventionist role within risk management. In many respects, the effectiveness of the precautionary principle within environmental management has been a function of the effectiveness of the regulatory regime and the potential that exists for meaningful dialogue between interested parties. If the state draws back from an interventionist stance then the future of the expert committees within a public health framework may be jeopardized. A precautionary approach would invariably strengthen the role of such committees but would also make them more open and accessible to an informed public. Ultimately, however, the success of such policies requires the state to intervene to protect those who will suffer the consequences of the hazard.

2 Does the individual have any choice in whether he or she is subjected to the risk?

Once again this is a crucial question within a democratic society. It might be argued that if one knows the nature and probability of the hazard, and can make an informed choice about it, then there would be no need to

invoke the precautionary principle. In general this is the case. For example, the evidence that exercise improves health is clear, but there is no case for legislation to make keep fit classes compulsory. In a similar way, if a pharmaceutical product is associated with adverse effects it might be sufficient to ensure that the professionals concerned have sufficient knowledge to use the drug appropriately, on the condition that this is done with the patient's informed consent. In this case regulation would not be required but the success of the policy would be dependent upon the professionalism of the individuals concerned. But can this generally be said to be the case? For example, in some instances additives are put in foods to preserve them without effectively communicating that fact to consumers, and some foods are withdrawn from all customers because of a known risk that affects a minority, thereby removing choice for the majority. Whilst in most instances, the ability to choose makes the use of the precautionary principle unlikely, this is not universally the case. In particular, it may still be invoked when there is considerable uncertainty about the level of risk. It should be noted that choices made by patients or the public about risks to health cannot always be readily predicted. Much depends on the perception of risk and the manner in which the characteristics of the hazard are communicated (Calman 1996). This has a major impact on the nature of informed consent and its effectiveness (Treasure, 1998).

3 What is the magnitude and acceptability of the risk being considered?

While this is related to the first question, it has a separate locus. Assessing the magnitude of a hazard always involves an element of judgement and this has three components: the seriousness of the hazard, the immediacy of harm, and the number of people affected. These three factors operate independently but can be synthesized to give an estimate of the magnitude of the consequences. For example, suppose that we know that a chemical does have a known level of risk, which may adversely affect one person in a thousand. The consequences of exposure are serious as it causes a disabling condition, but the number of people exposed is small, only a few hundred. What would the acceptability of the risk be in this circumstance? Such calculations may be further complicated by the fact that the known pathways of exposure to the chemical may, or may not, exist outside of a controlled environment. Ultimately, a decision has to be made about the acceptability of the risk and the question is, who should make that decision and what weight should be given to those who may be affected by the hazard within the decision-making process?

MAKING THE DECISION

Having briefly considered these three questions, the final step is to make a choice between alternative options. Has the evidence, the question of choice and the magnitude of the risk persuaded policy makers that there

is sufficient concern to take action? Perhaps it isn't worth making a fuss about something that may have little impact on society for an activity that has enormous benefits? But the question is who has the responsibility to make such a judgement? It is this question, more than any other, which proves to be contentious. What right does an organization, or even the state itself, have knowingly to expose individuals to risk without their fully informed consent? In essence, the critical phrase is 'fully informed consent' and it raises the issue of how can we have such consent when we do not fully understand the nature of the hazard and its probabilities in the first place? This raises a number of issues around the nature, politics and use of knowledge within the policy-making process.

Ultimately, those who legislate have to come to a decision about a particular problem, based upon all of the information available to them, which in most instances should be more than the sum of the scientific evidence (Sheldon and Smith 1992). As has already been stated, this will invariably be a matter of judgement, and perhaps what matters most is the transparency of both the approach to the decision and the evidential base upon which the judgement is made. This must include access both to the scientific evidence (for and against) and the nature of any other views expressed. A failure to provide such open access will make the decision process appear one sided and, therefore, fundamentally flawed.

SOME CONCLUSIONS

Answering the three questions proposed earlier in this paper should go some way to reaching a more logical and reasoned decision-making process over issues of hazard policy. However, there remain three problems that can arise and which need further discussion and research.

1 Continuing discontent

It not infrequently happens that an issue is raised, is fully debated, all the evidence assessed and a decision made which is still not to the liking of those who originally raised concerns about the matter. For example, a chemical is considered to be dangerous, and harmful to human health. It is fully assessed and found not to have the level of harm suggested and is given the 'all clear'. Yet the criticisms persist. Are such concerns well-founded and should the debate be opened again? Is a conventional approach to the use of expertise missing something because of a failure of the experts to accept the validity of a challenge to the dominant paradigm concerning cause and effect relationships? Is the uncertainty in the judgement too great to justify the decision that is taken? Ultimately, there is no simple answer to these questions, and they are likely to be very topic specific, but it is suggested that research needs to be carried out to determine a way of taking this forward. This raises further questions concerning the nature of knowledge, risk communication and the whole process of governance within organizations and also within the system of government.

2 The timing of the decision

For a new procedure or chemical, there should normally be sufficient time available to make decisions about the action to be taken, though this may not always be the case with an infection or acute toxic problem. However, decision taking is even more difficult if the source of the hazard is already established in use. In some instances the evidence is clear and an immediate ban is obvious and welcomed. But suppose the evidence is uncertain or even disputed, what should happen then? Should we wait until more evidence is available to allow for a more reasoned judgement? In circumstances of choice can we rely on sufficient information of suitable quality being readily available and that this is acted upon in an appropriate manner? How long should we wait before making the decision or taking steps to generate more research? Once again there is a need to consider the three issues concerning the nature of evidence, choice and probability/magnitude of hazard before proceeding to take action to protect the health of the people in a compulsory way. Again, issues concerning governance and social responsibility within risk management are raised that require transparency and accountability within the decision-making process.

3 The role of the scientific expert or committee in policy making

In the UK we may be considered as very fortunate in having available scientific expertise of the highest calibre that is accessible to policy makers. However, as has been discussed here and elsewhere (Collingridge and Reeve 1986; Smith 1990), decisions on risk are often made on the basis of factors other than scientific ones. In addition scientists may feel uncomfortable in taking the uncertainty inherent within complex and difficult issues and converting it into evidence-based policy with confidence and assurance. Yet the public may need a clear statement of the position if the precautionary principle is to be invoked (or not) and legislation enacted to back up the decision.

The role of the scientific committee is thus to set out the evidence, including the uncertainty, and for policy makers to make the final decision within a framework of governance and freedom of information. Senior advisers and government officers, such as chief scientists and chief medical officers provide the bridge between the two, interpreting and evaluating both the science and the subsequent policy. But what happens if there is a disagreement between scientists and policy makers? In many instances this will not matter; after all these are issues of judgement and there is room for differences of view. In some instances however, the differences will be so great that it is untenable for the scientist or adviser to remain in post and resignation may be the only answer. This is a rare occurrence, but it is a necessary part of the procedure. However, if the policy process is not transparent and there is no effective freedom of information, then the process will inevitably founder on the rocks of suspicion and distrust.

Finally, to return to the question of who should make these decisions, if

it is accepted that invoking the precautionary principle leads to legislation, then this cannot be left to scientists or special interest groups to determine. It must be seen to be an open and fair process that is embedded within a democratic process in which the interests of the powerful are not allowed to prevail. It is the responsibility of the legislature, the policy makers and politicians to provide a climate of openness and governance. Those who advise must present the arguments impartially and clearly, mustering the evidence available and indicating where it is weak or uncertain. Ultimately, however, it should be remembered that the purpose of this whole process is to protect the health of the public.

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TRENDS IN PUBLIC PARTICIPATION: PART 1 – LOCAL GOVERNMENT PERSPECTIVES

VIVIEN LOWNDES, LAWRENCE PRATCHETT AND GERRY STOKER

INTRODUCTION

Enhanced public participation lies at the heart of the Labour government's modernization agenda for British local government. As the white paper *Modern Local Government: In Touch with the People* states, 'the Government wishes to see consultation and participation embedded into the culture of all councils... and undertaken across a wide range of each council's responsibilities' (DETR 1998, para. 4.6). Such bold statements suggest that the modernization programme is introducing fundamental change into local democratic practices: change which is addressed as much towards altering cultures and attitudes within local government as it is towards creating new opportunities for democratic participation. Yet the belief that local government should involve the public or 'get closer to the community' is hardly new. The history of British local government is littered with experiments in public participation and consultation (Gyford 1991; Burns *et al.* 1994; Stoker 1997).

This article analyses the prospects for change through an examination of current practice and attitudes within local government. It presents findings from research commissioned by the Department of the Environment, Transport and the Regions (DETR) to fill gaps in existing knowledge about the extent and nature of participation exercises in local government (Lowndes *et al.* 1998a). The study is unique in that it provides, in effect, a census of local government activity to enhance public participation. Survey-based analysis was complemented by qualitative research on the experience and aspirations of local government members and officers regarding public participation – both positive and negative. Consequently, this research complements existing studies of new developments in local participation which have tended to be largely descriptive and uncritical, focusing upon examples of 'good practice' and lacking any statistical underpinning regarding general trends (Stewart 1995, 1996 and 1997; LGA/LGMB 1998; New Economics Foundation 1999).

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The research had two key objectives:

- To provide an up-to-date picture of the nature and scope of public participation in local government via a survey of all local authorities.
- To investigate the views of local authorities and their citizens on participation initiatives in practice via selected case studies.

This article reports the research findings as they relate to local authority activities and attitudes. A subsequent article will consider citizen perspectives (Lowndes, Pratchett and Stoker, 2001).

A questionnaire was sent to the chief executives of all principal local authorities in England in January 1998, covering the level of use and trends in the take-up of a range of different participation methods. Local authorities were asked about their use of nineteen different forms of participation. The questionnaire also investigated perceptions of the factors stimulating participation initiatives and the benefits and problems encountered in practice. A response rate of 85 per cent was achieved. (In total 332 principal authorities that existed at the time responded, of which 310 provided substantive survey returns.) Alongside the survey, case studies were conducted in 11 local authorities. These involved in-depth interviews with individuals who had developed or organized participation initiatives, ranging from senior officers and members through to those responsible for managing specific activities. (For further details of the research methodology, including the topic guides employed, see Lowndes *et al.* 1998.) This article reports on the findings from both the survey and the case studies.

As with all surveys, there are limits to interpreting the findings and generalizing them to the broader population (Denscombe 1998). These problems are compounded by the complex operational structures of most local authorities, which make it difficult for one individual to have complete knowledge of all the organization's initiatives. It is inevitable, therefore, that there will have been some under-reporting of participation initiatives in some authorities. Where questions of attitude or perception have been answered there are also limits to interpretation, as these represent a personal understanding on the part of the respondent, rather than an organizational position. However, the high response rate (85 per cent of all authorities) and the seniority of most respondents (most were chief executives or senior officers within a policy unit) ameliorate these difficulties. In addition, the case studies were used, in part, as a triangulation tool to verify the reliability and validity of the survey instrument.

It is important to note that the research was concerned only with local authority initiatives to stimulate participation; it did not cover community-generated activities such as self-help groups, petitions or direct actions. Following Parry *et al.*, 'participation' was interpreted broadly to refer to public involvement in 'the processes of formulation, passage and implementation of public policies' (1992, p. 16), and electoral practices were not covered. Political parties were also beyond the terms of the research, although we

acknowledge the important role that such organizations play in structuring many opportunities for political participation. The initiatives under investigation varied significantly in terms of both their scale and scope – that is, their duration and cost, their policy or issue focus, and the numbers and specific groups of citizens targeted. They also varied in ‘depth’ – ranging from the provision of information, to consultation over specified options, to problem-based deliberation, and user-management of services. The nineteen forms of participation constitute an inelegant, yet pragmatic, bundle of activities, covering virtually all the rungs in Arnstein’s (1971) famous ‘ladder of participation’ (see Gyford 1991; Burns *et al.* 1994 or Audit Commission 1999 for commentaries). The one thing that all of these methods have in common is that they are attempts to encourage participation in local affairs beyond the traditional processes of political engagement (voting and party membership). It is for this reason that they can be seen as contributing (potentially) to a process of democratic renewal (DETR 1998; Pratchett 1999).

THE USE OF DIFFERENT METHODS

In order to establish a census of participation initiatives the survey asked each local authority to identify the different forms of participation or consultation they had used in the previous year. The responses from this are summarized in chart 1 (p. 216). For the purposes of analysis the different forms of participation are divided into five categories:

- *Consumerist methods* – forms of participation which are primarily customer-oriented in their purpose and are mainly concerned with aspects of service delivery.
- *Traditional methods* – methods which have a long history of use in local government and are traditionally associated with public participation.
- *Forums* – activities which bring together users of particular services, residents of an area, individuals concerned with specific issues (for example, community safety) or those with a shared background or interest (for example, minority ethnic groups), on a regular basis.
- *Consultative innovations* – new methods which seek mainly to consult citizens on particular issues rather than to engage them in sustained dialogue.
- *Deliberative innovations* – new methods which encourage citizens to reflect upon issues affecting them and their communities through some form of deliberative process.

This categorization is inevitably crude and a case can easily be made for including some forms within a different category. For the purposes of analysis, however, it displays some important distinctions between different forms of participation.

The most striking feature of chart 1 is the dominance of consumerist methods as a means of consulting the public. Local authorities have clearly

responded to the customer orientation encouraged by Conservative governments in the 1980s and early 1990s, with 92 per cent of authorities operating a complaints/suggestions scheme and nearly as many (88 per cent) undertaking service satisfaction surveys. Traditional methods are also widely used, with more than four-fifths of authorities issuing consultation documents and holding public meetings during the census year. Forums are also a popular means of encouraging regular dialogue with different groups: while the organization and operation of forums varies greatly, it was notable that 87 per cent of all authorities claimed to operate at least one type of forum.

Of greater interest, however, is the level of innovative methods in use. Nearly half of all authorities (47 per cent) used focus groups, and a significant proportion used other deliberative mechanisms to engage with communities in a more general way: some 45 per cent undertook some form of community planning or needs analysis involving public participation, while more than a quarter were using visioning techniques. Perhaps surprisingly, given recent publicity surrounding them (Smith and Wales 2000), only a small proportion of authorities (5 per cent) used citizens' juries, although this figure is somewhat blurred by the different labels which various organizations attach to this activity. Consultative innovations such as citizens' panels were less widely used than deliberative techniques, although 55 authorities already had a panel up and running and a further 18 expected to implement one in the near future. While different authorities use the terms *citizens' panel* and *citizens' jury* to describe a range of different techniques, for the purposes of this research the term *citizens' jury* referred to groups of citizens brought together to deliberate on a specific issue, while the label *citizens' panel* was reserved for a statistically representative sample of citizens who are periodically consulted on a range of issues. The other major area of innovative consultation was in the introduction of interactive web-sites: 24 per cent claimed to already have such technology in operation and a further 9 per cent anticipated implementation within the subsequent 12 months (Lowndes *et al.* 1998a). Such claims, however, need to be balanced against a more recent study of local government web-sites (SOCITM 1999) which found that no authority in Britain offers a truly transactional site and only 6 per cent offer a good level of interaction. The remainder offer only very limited interaction (22 per cent) or no interaction whatsoever (72 per cent). The extent to which technology is being used to extend participation and consultation is clearly limited.

While chart 1 provides a valuable summary of the extent to which each form of participation is used by local authorities, it is also useful to analyse this information in different ways. It is evident, for example, that most authorities use more than one form of participation (Lowndes *et al.* 1998a). Indeed, the survey findings show that, on average, each local authority used around nine different forms of participation during the census year. Averages, however, can conceal marked differences between individual

authorities. Chart 2 (p. 217) disaggregates the data into type of authority to reveal significant differences between urban and rural authorities. The mean averages show that all three types of urban authority used around eleven different forms of participation. By contrast, district councils (which are generally smaller in terms of both population and geography – although with some notable exceptions) generally used only eight different forms of public participation. Given that chart 1 shows that the vast majority of authorities use at least two forms of customer-oriented consultation (complaints/suggestions schemes and service satisfaction surveys) and two traditional forms of participation (consultation documents and public meetings) this indicates a generally low level of innovation among smaller authorities. In some respects, this is not surprising – these authorities generally have smaller budgets and fewer resources with which to experiment. At the same time, however, it does appear to imply that smaller authorities will not necessarily be more actively engaged with their communities – at least, not through formal participation mechanisms. County councils, however, stand out within the predominantly rural areas. Counties were particularly advanced in their use of interactive web-sites and were also good at using other consultative approaches, presumably reflecting the problems of geography which confront most counties. Such a finding reinforces the argument that different participation approaches may be more suited to the needs of particular types of organization.

The greater range of participation methods used in some authorities raises questions about the extent to which innovations are related to party political control. In particular, are the most innovative authorities controlled by the political parties most closely associated with the participation agenda at national level? Chart 3 (p. 218) analyses the average number of participation initiatives by political control. Somewhat surprisingly, it shows that there is very little difference between any of the three major parties. While Liberal-Democrat controlled authorities are slightly ahead, using a mean average of 9.8 initiatives, they are closely followed by Labour (9.6) and Conservative (9.1) controlled authorities. These figures may be affected by the exceptionally high number of Labour controlled authorities that existed at the time of the survey and the absence of Conservative controlled authorities. Of greater interest, however, are the consequences of an absence of clear political control. Where authorities have no overall control, the average number of initiatives drops to 8.4. This suggests that while the controlling party is not a significant factor in determining the average number of initiatives, the absence of one is. The absence of clear political leadership in 'hung' authorities appears to restrict the opportunities for experimentation with participation and reduces the opportunities for innovation. This effect is even stronger in Independent controlled authorities where the averages drop even further (6.2), although the relationship between small rural local government and Independent control somewhat blurs the analysis,

making it difficult to determine whether size or political control is the most important factor in causing this effect.

TRENDS AND INNOVATIONS IN PARTICIPATION

So far the analysis has concentrated upon the overall picture of participation as it existed at the time of the census. It is interesting, however, to examine the ways in which local authorities arrived at their current position. Chart 4 (p. 219) summarizes recent trends for some of the more innovative modes of participation and compares them with the recent growth in other, more conventional, methods. The most striking feature of chart 4 is the fact that all modes of participation are on the increase (this conclusion also applies to the other modes of participation not included in this chart). Even traditional modes of participation such as 'public meetings' and 'question and answer' sessions are being more widely used than previously. This suggests that there is a momentum behind the participation agenda which extends beyond any individual method. Indeed, it would appear that far from being a focus on a few fashionable innovations, the participation agenda has encouraged local authorities to renew their acquaintance with traditional forms of participation, as well as to experiment with alternatives. Of course, the distinction between traditional and innovatory forms of participation is not always apparent to individual authorities. In some of the case study authorities the introduction of 'question and answer' sessions during committee meetings was deemed a major innovation which had caused great controversy among councillors; in others it was deemed a first step towards more open participation; and in others it was a long-standing tradition which was taken for granted (Lowndes *et al.* 1998a). Such attitudes were important in determining the speed at which different innovations were taken on board by different authorities.

Chart 4 also indicates the points at which innovation started to accelerate, notably the mid-1990s. Focus groups, in particular became particularly popular at this point, possibly reflecting national party interests in these tools. The other forms of innovative participation also show marked growth during this period: visioning, especially, shows a quite dramatic take-up in the three years from 1995. Clearly there is a process of learning and knowledge sharing involved as different authorities have experimented with different tools and passed that information on through the local government community. Of more significance here, however, is the apparent willingness of local government to engage with these innovations. The rapid take-up of new forms of participation suggests a latent disposition within local government for much greater public involvement and an enthusiasm for developing new opportunities.

FACILITATORS AND BARRIERS TO ENHANCING PUBLIC PARTICIPATION

The sharp growth in many forms of participation in recent years raises important questions about the main purposes of public participation initiat-

ives and the factors stimulating the development of participation strategies. Respondents were asked to identify the main purposes and benefits of participation initiatives in their authority. Two stood out as being important to the majority of authorities. First, many respondents stressed the importance of gaining citizens' views and recognized that council decisions were likely to be better informed if they were linked to participation exercises. Second, a large proportion of respondents saw participation as being directly related to service improvements, clearly reflecting the current emphasis on consultation within the Best Value framework. Both of these benefits, however, are largely internal to the commissioning organization, reflecting the information needs of decision makers and service providers rather than those of the community. Indeed, the goals of empowering citizens or increasing their awareness were largely secondary to the more tangible benefits of improving decision making. However, it should be noted that such a finding contrasts sharply with the experiences of many citizens, especially those who had experience of deliberative participation (see Lowndes, Pratchett and Stoker, 2001, for a more detailed analysis of this point).

Alongside the analysis of purposes and benefits, survey respondents were also asked to rank a number of issues according to how important they were in stimulating an interest in public participation measures within their authorities. Chart 5 (p. 220) summarizes their responses by attaching weighted scores to the various categories. There are always problems in asking individuals to attach ordinal rankings to complex and non-ordinal patterns of preferences or beliefs. While it is important to be cautious when interpreting such responses, however, it is clear that internal factors were considered by respondents to be much more important than external stimuli. Corporate strategy, departmental projects and ruling group policy all scored consistently high. By contrast, central government initiatives and local government networks were not deemed to be of much significance in stimulating activity in this area. Whether such responses reflect reality is not an issue here. What is significant, however, is the perception among respondents (local government chief executives) that the participation agenda is being driven more by local internal factors than by external imposition. There is, therefore, a strong sense of ownership of these initiatives.

Such ownership, however, did not blind respondents to the difficulties they had encountered in developing participation strategies. Respondents were also asked to rank the main problems experienced in implementing participation initiatives. Their responses are summarized in chart 6, again using weighted scores derived from the rankings. As might be expected, the majority of respondents identified lack of resources and time as the main factors inhibiting the development of public participation. Such issues are not trivial. The case studies found that local authority resources rarely matched their ambitions in this area and that justifying greater expenditure on participation was always difficult when there were pressing social or

economic problems demanding resources (Lowndes *et al.* 1998a). Moreover, the time commitment necessary to make different initiatives successful acted as a powerful inhibitor to greater experimentation. As a consequence, several of the case study authorities had adopted a rolling policy of using different forms of participation in different years: perhaps holding a series of focus groups one year, conducting a residents' survey another year, and so on. In so doing, they were often aware of the limitations of their strategy and, in particular, realized that the potential added value of matching information from several sources was lost through this method. The problem of when and how to commit resources to democratic enhancement, rather than to service delivery, is an unresolved dilemma which lies at the heart of the current process of democratic renewal.

The other important point which emerges from chart 6 (p. 221) is that 'lack of public interest' was seen to be a major inhibitor in many authorities. Indeed, 58 (nearly one-fifth) of respondents ranked this factor first. Such findings have important policy implications, for while chart 4 suggested a latent disposition among respondents towards enhanced participation, chart 6 shows that the same respondents do not perceive a strong demand for it. The challenge for local authorities, therefore, is not only to develop more and better opportunities for participation but also to stimulate demand for such initiatives across their communities.

THE DRAWBACKS OF PUBLIC PARTICIPATION

Although the respondents demonstrated considerable enthusiasm towards enhanced public participation they were nonetheless frank about the problems and drawbacks associated with such initiatives. While two-thirds of authorities indicated that their experience of participation initiatives was largely positive, 35 per cent emphasized some negative effect (Lowndes *et al.* 1998a). Two problems were particularly common. First, almost a third of those identifying negative effects (32 per cent) were concerned that public participation initiatives raised unrealistic public expectations. This was particularly important when the authority's ability to respond to particular issues was constrained by financial or legal limitations. Some authorities also indicated that this was a problem when public demand on a particular issue conflicted with broader council policy. Second, a quarter of those identifying negative effects were concerned that public participation initiatives slowed down the decision-making process by introducing additional stages into an already bureaucratic process. This was particularly a concern where the authority was working with other agencies which demanded a faster response.

Respondents also identified other negative effects, although these occurred with less frequency. These included concerns that initiatives had introduced additional costs to the decision-making process or placed additional burdens on officers and members without any clear gains from participation. There were also concerns that issues were often captured by

particular groups who were not representative of the wider community, leading to populism and short-term decision-making among elected members. Concerns that community-based participation initiatives encourage parochialism and an over concentration on relatively trivial issues were also expressed. As one respondent put it 'relatively minor issues assume greater importance than they perhaps warrant'. Another went further, suggesting that participation initiatives had led to greater conflict and acrimony among different sections of the community. This was matched by similar concerns that initiatives might undermine the authority or legitimacy of elected members or officers, and that being responsive to citizens may distract attention from other 'more important' issues. Finally, a small number of very active authorities expressed concerns that in some areas there was a danger of 'consultation overload', especially where many organizations were consulting on a range of overlapping issues. Coupled with this was a concern that unless initiatives are seen by all actors as being successful there is a danger of groups losing confidence not only in the initiative, but also in the authority more generally.

Most respondents did not see these negative effects as excuses for avoiding participation. Rather, most authorities saw them as challenges to be overcome. Indeed, for many of the case study authorities such problems were seen as being a necessary part of the learning experience in developing more effective public participation strategies (Lowndes *et al.* 1998a). Nevertheless, all authorities acknowledged that there were certain issues which should not be opened up to participation. The most commonly mentioned issues were those of internal management, confidential issues, commercially sensitive matters and activities which are prescribed by statute, thereby leaving the council no discretion. Other respondents, however, identified equally pertinent issues, although these were less frequently reported. These included: issues requiring a quick response from the council; issues which might raise unnecessary fears among the community or lead to blight; areas where the ruling party had a clear manifesto commitment to proceed in a particular way; and those issues which might exacerbate community tensions or create unnecessary cleavages between communities. Most respondents were at pains to emphasize, however, that regardless of which issues were opened up to public participation the final decision should always rest with elected members.

THE IMPACT OF PARTICIPATION INITIATIVES

Public participation is not simply about giving citizens more influence over particular decisions. Many of the case study authorities emphasized that participation initiatives were only one factor among many that might influence a decision. Elected members, particularly, argued that they had a duty to weigh a range of factors which might contradict current public opinion. Nevertheless, it is useful to reflect upon how much impact participation initiatives have on final decisions. The survey asked respondents to

describe in their own words the effect of their participation initiatives on final decisions. Chart 7 (p. 222) groups these into six categories. The key feature of these six categories is that only two (better informed decisions and strong influence) can be deemed to be wholly positive – and these accounted for only a third of respondents. The remaining two-thirds of respondents had noted some negative effects of initiatives in the work of the authority. While such reservations do not invalidate public participation initiatives, they should alert all those involved with the democratic renewal agenda to the issues which need to be addressed if initiatives are to be seen as being successful.

The limited impact of public participation initiatives on final decisions is not wholly surprising and, indeed, it may even be appropriate. As the Audit Commission (1999, para. 48) observe, it is the elected member's role to decide 'what weight to give to the results of community consultation alongside other factors, such as available resources, statutory requirements and the views of partner organisations'. What is not clear from the survey findings, however, is whether the results of participation initiatives have been given their due weight in the decision-making process. Low levels of impact may well be explained by such arguments but they also need to be justified, especially to the public.

CONCLUSIONS

The survey of participation initiatives has shown a commitment and enthusiasm across local government for innovation in this area. Over the last few years the number and range of participation initiatives in local government has expanded greatly, offering citizens wide opportunities to take part in local affairs. This growth in participation opportunities reflects more than simply a response to the current democratic renewal agenda or, indeed, a party political programme. Rather, it demonstrates a sense of ownership within individual authorities of the democratic possibilities which such initiatives hold and a willingness to develop them. In providing a census of participation initiatives within local government, therefore, the survey has provided an important benchmark against which to measure democratic development in future years.

The findings from the survey offer more than just a benchmark of participation activity. The experience of local authorities has revealed difficulties as well as advantages in enhancing public participation: difficulties which they must address if they are to meet consultation requirements in respect of Best Value, the power to promote the social, economic and environmental well-being of the area, or the beacon council scheme. Top of most lists is the crucial dichotomy between justifying expenditure on democratic activities when specific services are still in need of resources. Similarly, the tension between introducing real democratic enhancements and achieving efficient and effective service delivery remains. As participation becomes

more entrenched in the culture of local government so these problems and dilemmas will become more pressing.

The claim that the observed growth in participation initiatives represents democratic enhancement needs to be treated with some caution. While many of the initiatives do provide new opportunities for individuals or groups to articulate their preferences, it is clear that, on their own, they often do not live up to the fundamental democratic tests of popular control and political equality (Beetham 1999). Individual initiatives are often deliberately designed to discriminate in favour of particular groups or areas, especially where authorities are trying to reach socially excluded groups. In this respect, they automatically fail the democratic test, even though they may be seeking to address failings in existing democratic practice. Where they can enhance local democracy, however, is as part of a broader programme of participation and community engagement linked into traditional democratic processes (Lowndes *et al.* 1998b). The overall approach that local authorities adopt towards participation, therefore, will be important in establishing the extent to which individual initiatives can enhance local democracy.

Among many authorities there is a perception that there is little public enthusiasm for enhanced participation, particularly among those groups who are traditionally excluded from political participation. Such a perception makes justifying participation initiatives even harder. These perceptions, however, are only half of the picture. Our research also investigated citizen attitudes and perceptions towards local government participation, including some of the most socially excluded groups in society. The findings from this part of the research are reported in a subsequent article in this journal (Lowndes, Pratchett and Stoker, 2001). Making the link between local government and citizen perceptions of participation is possibly the greatest challenge facing democratic renewal.

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APPENDIX

Charts 1–7 follow on pp. 216–22.

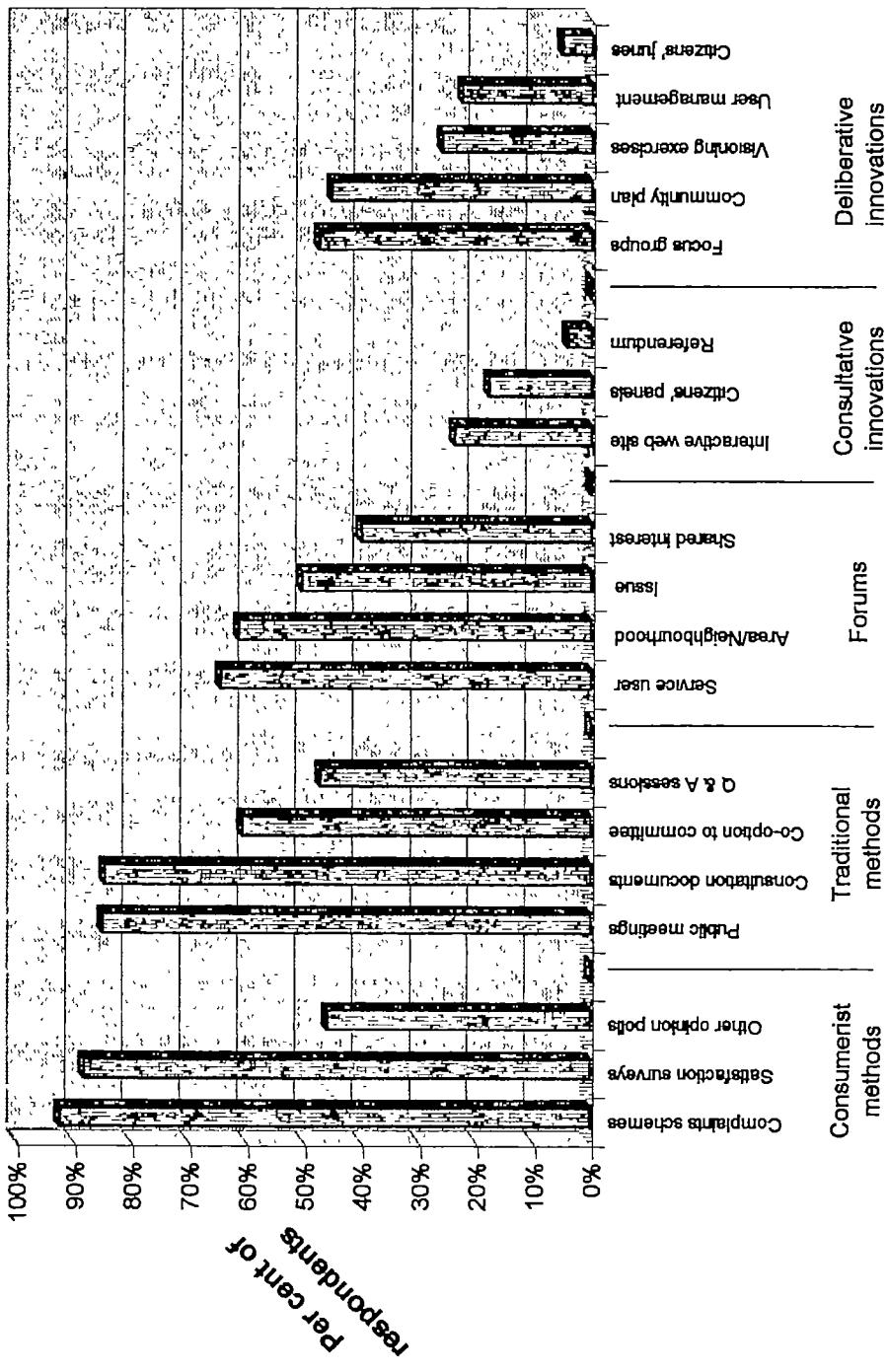
CHART 1 *Use of different forms of public participation*

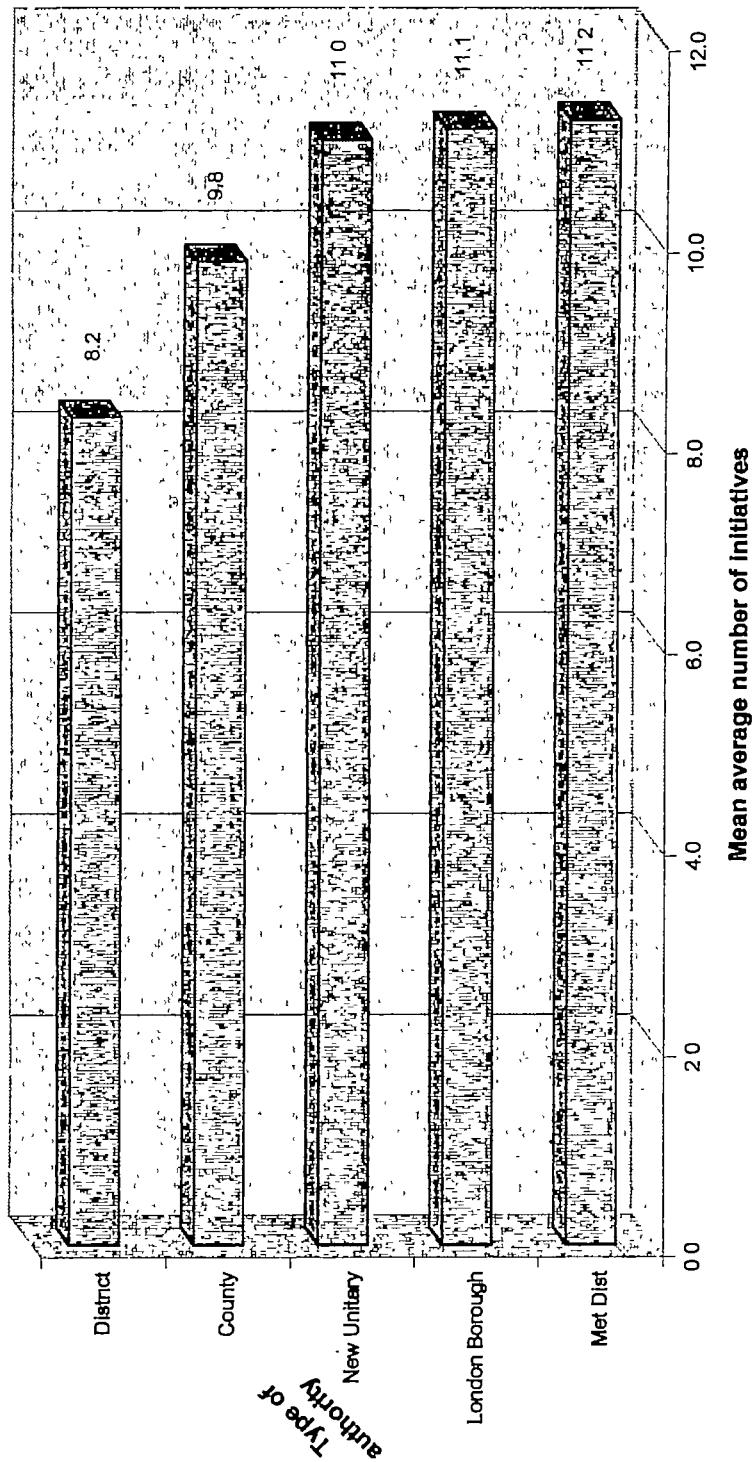
CHART 2 *Average number of initiatives by authority type*

CHART 3 *Average number of participation initiatives by political control*

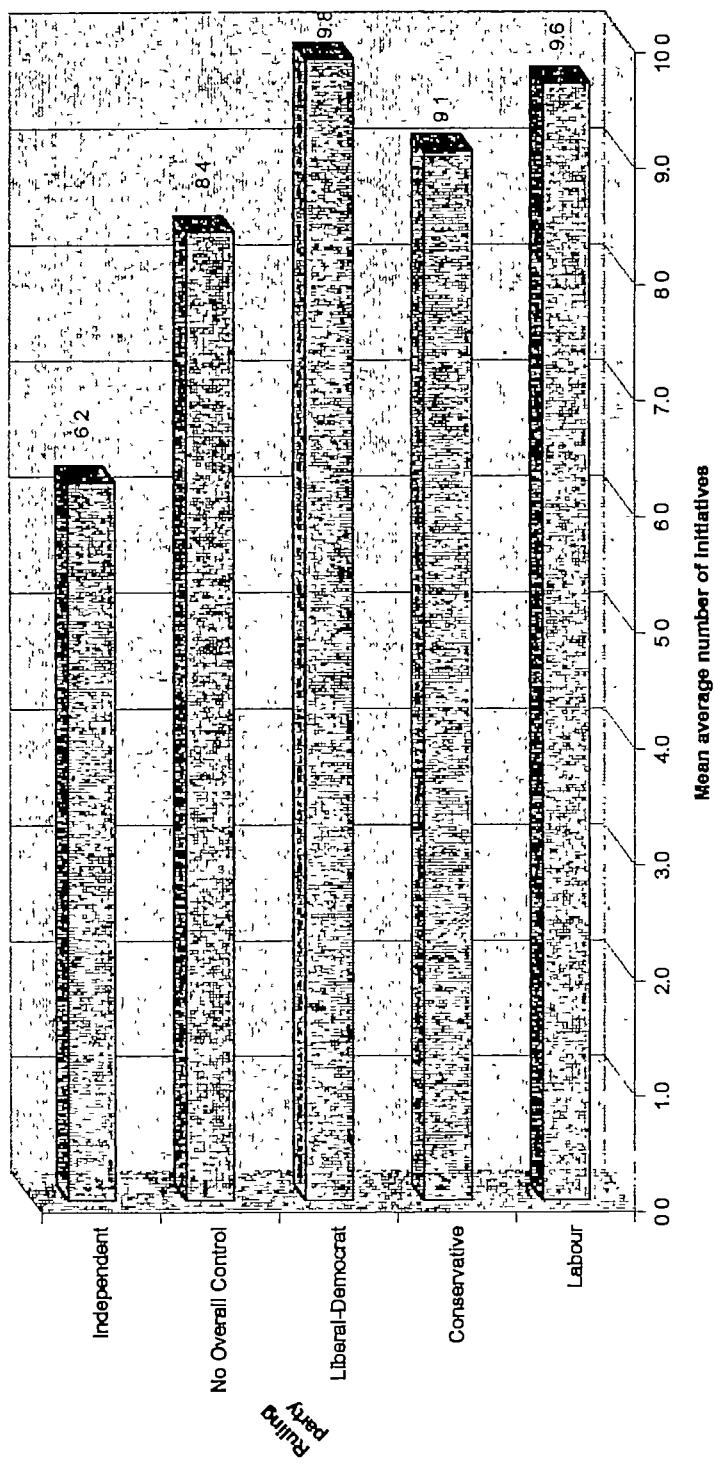


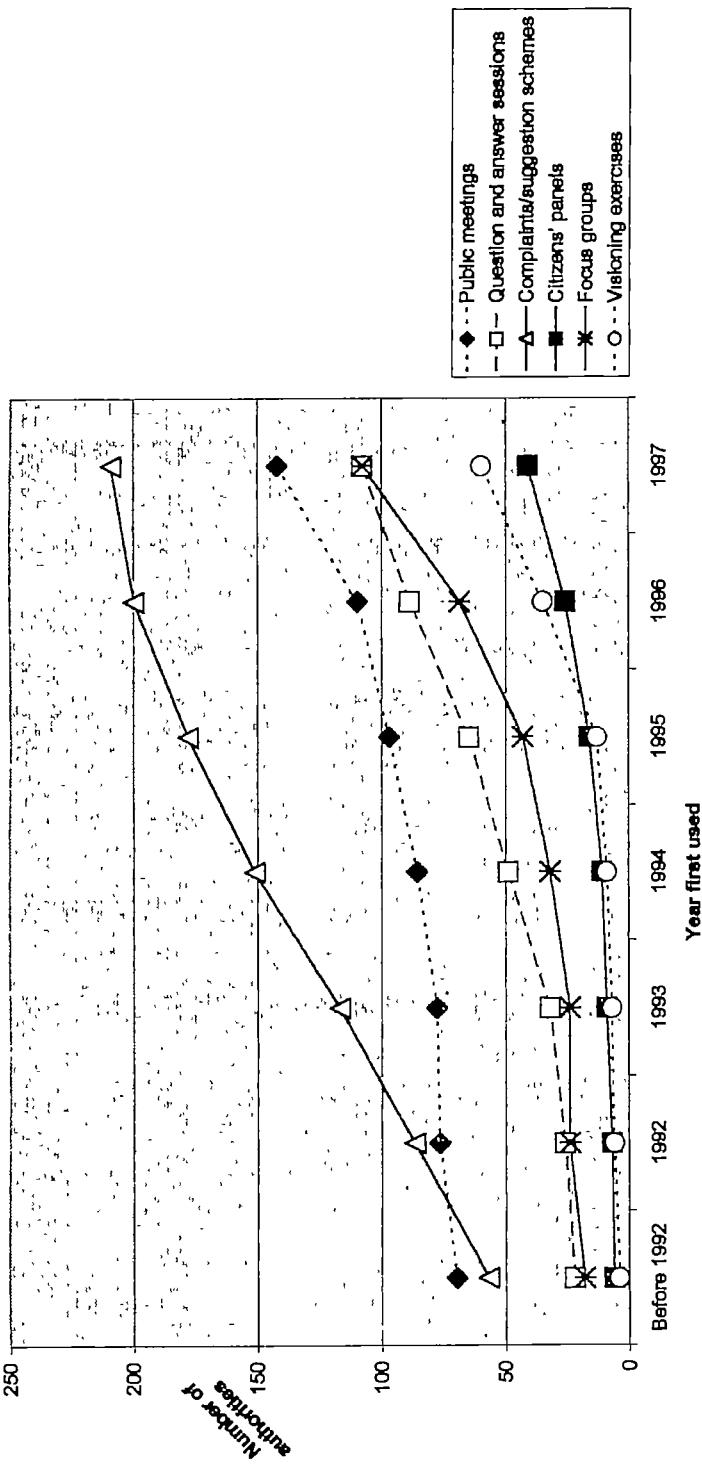
CHART 4 *The growth in different forms of participation*

CHART 5 Factors stimulating participation initiatives

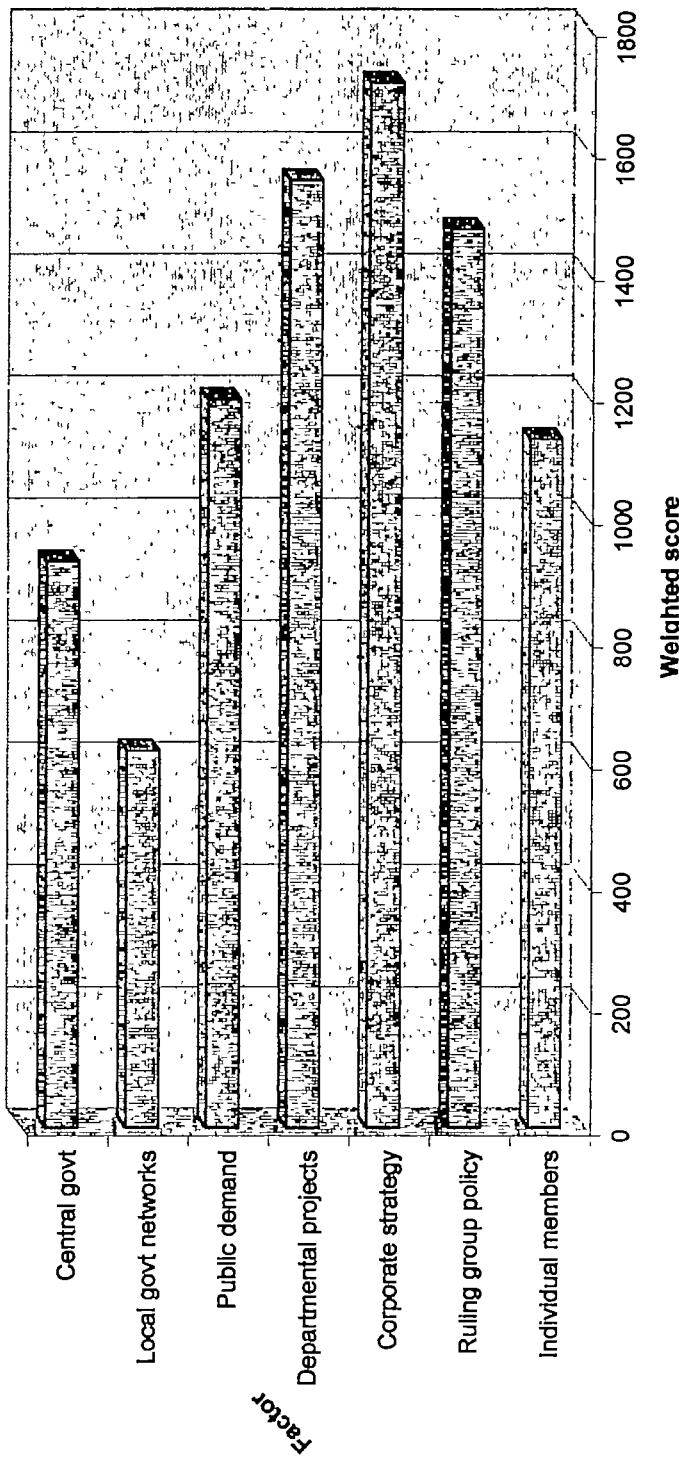


CHART 6 Factors inhibiting participation initiatives

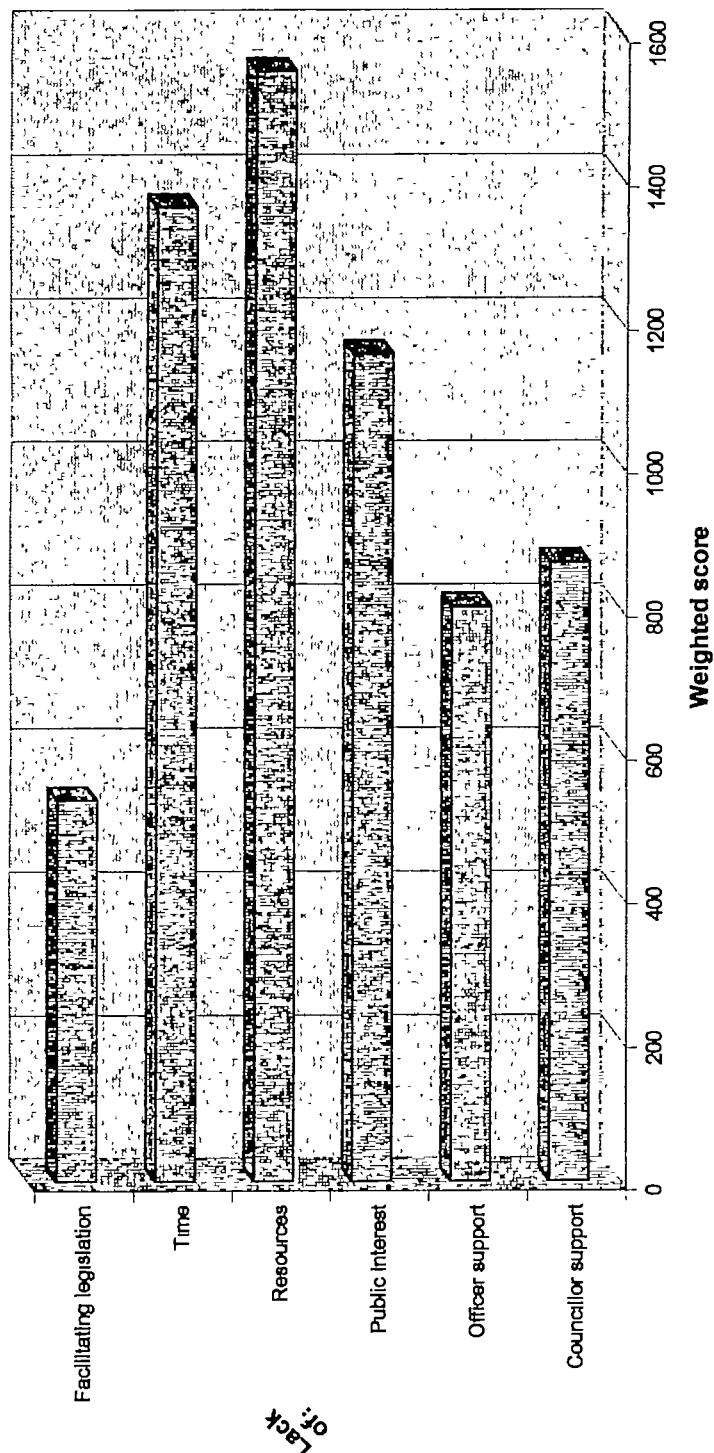
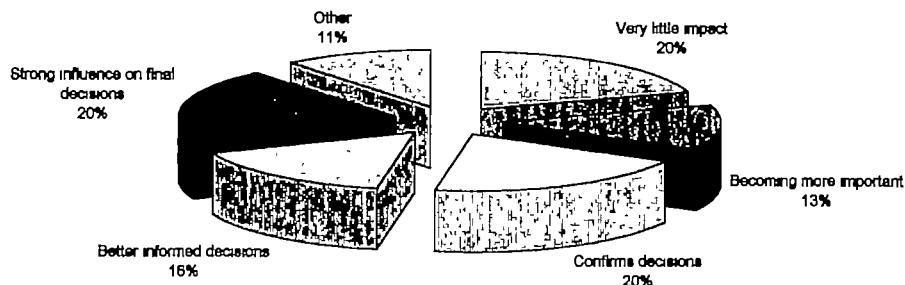


CHART 7 *Impact of participation on final decisions*

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REVIEWS

SCANDINAVIAN STUDIES OF POWER AND DEMOCRACY. A REVIEW ARTICLE

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1 Introduction

In the last thirty years Scandinavian political science has been preoccupied with studies of power and democracy. It started with a Norwegian study in the 1970s, followed by a Swedish study in the 1980s. Here at the start of the twenty-first century we are witnessing another round of Swedish and Norwegian studies of power, and a new Danish study is well under way.

In this brief review of the Scandinavian studies of power we will argue that it is possible to detect three basic shifts: (1) a theoretical shift from an underlying concept of sovereign power towards an increasing emphasis on discursive power; (2) a methodological shift from a descending analysis of power towards an ascending analysis of power; and (3) a substantive shift from an emphasis on power towards an increasing concern for democracy; Together, the three shifts indicate a break with the positivist orientation of Scandinavian political science and reflect the growing interest amongst political scientists in various forms of social constructivism.

As the latter shift is predicated on the former, we will first explain what is implied by these two interconnected shifts, and then show why the question of democracy necessarily gains importance as a result of these shifts. We will then discuss the five Scandinavian studies of power and democracy one by one in order to show the gradual reformulation of the research agenda.

2 From sovereign power to discursive power

We borrow the concepts of sovereign and discursive power from the French philosopher Michel Foucault. The concept of *sovereign power* tends to view power as a causal effect from one atomistic agent to another. Steven Lukes (1974) develops this causal, agency-based notion of power into a three-dimensional view of power. Lukes flirts with the idea of seeing power as

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the causal effect of societal structures but finally rejects the idea. However, actor-based and structure-based concepts of power are familiar in the sense that they both tend to view power as a causal effect of something that is outside and prior to power.

The concept of *discursive power* calls this causality into question. It views both actors and structures as constituted in and by various power strategies. Power is nominally defined as the name of a complex strategic situation (Foucault 1990; p. 93). Power is a criss-crossing field of discursive strategies. The antagonistic power strategies construct a discursive system of meaning (concepts, cognitions, rationalities, norms, values, etc.) through acts of exclusion. The discursive system is structured in a specific way and establishes specific forms of subjectivity. Hence structure and agency are an effect of power strategies rather than their pre-given point of departure.

The sovereign and the discursive power concepts can be compared on a number of key points, as is illustrated in figure 1 (see Foucault 1990; pp. 92–8). Sovereign power can be possessed by social and political actors. It is a certain strength or resource that can be distributed amongst different agencies. In this perspective, power is often linked to authority, conceived as the right to deploy one's strength or resources to achieve something. By contrast, the discursive conception of power, views power as only existing in the concrete exercise of power. However, power is not the willful deployment of an individual capacity, but a set of discursive actions that act upon other actions. Power is a political force that determines the identities of the subjects and shapes their capacities and their room for manoeuvre. Power is not a matter of possessing the money, status or right to act, but rather a matter of creating and changing the premises for social action.

Sovereign power has a centre, a residue from absolute monarchy where power emanated from the body of the sovereign. But the idea of an ultimate centre of power has lived on in the form of the Marxist emphasis on the significance of economic power and of the liberal democratic conception of parliament as the incarnation of popular sovereignty. In contrast to these

FIGURE 1 *Sovereign power and discursive power*

	Sovereign power	Discursive power
Nature	Power can be possessed – it is a 'right' to act	Power can be exercised – it is a 'force'
Localization	Power has a centre	Power comes from everywhere
Form	Power is repressive	Power is productive (repressive)
Means	Power works through law, taboo and prohibition	Power is institutionalized in a number of normalizing & disciplining technologies

conceptions, the discursive conception of power claims that power comes from everywhere. It is neither anchored in the economic or the political level of society but is present in all social relations as the political force that constitutes and subverts social identity.

Sovereign power is repressive. It draws in its wake a web of restrictions and repressions, and it constitutes a guarantee that human needs and desires are curbed. Power operates through prohibitions, injunctions and taboos. It delimits boundaries and the law is its key medium. By contrast, the discursive conception of power views power as primarily productive. Power produces social identities but since it always places social identities in specific relations of superordination/subordination, it is also repressive. It is exercised by means of institutionalized technologies that discipline the body and normalize the mind.

As figure 2 shows, the two concepts of power have different methodological implications (Foucault 1986). The sovereign analysis of power focuses on the legitimacy of power, and the legal basis of power is viewed as an important source of legitimacy. By asking the question 'Who has power?' it is possible to reveal different forms of illegitimate power. Individuals with various amounts of resources are the originators of power. The analysis of who does and who does not have legitimate power, begins at the top of the central political institutions. Thereafter, the analysis moves in a *descending direction* in an attempt to reveal illegitimate forms of power in the civil service, interest organizations, the private sector, etc.

A discursive analysis of power does not focus on the legitimate exercise of power. It focuses on the political strategies that shape the identity of the actors, their capacity to act and their social context. Political strategies does not refer to calculated acts controlled by rational considerations as to means and ends but to antagonistic struggles about the construction of meaning. In the analysis of discursive power strategies, the key issue is how power is exercised. It asks the questions: what typologies, metaphors, narratives, etc. are employed in the discursive construction of the social and political actors and their political strategies? How are the different strategies institutionalized in and through local power technologies? What kinds of hier-

FIGURE 2 *The methodological implications*

	Sovereign power	Discursive power
Focus	Legitimate power	Discursive power strategies
Question	Who has power?	How is power exercised?
The conception of subjectivity	The individual is the source of power	Individual is the vehicle of power strategies
Analytical perspective	Descending analysis	Ascending analysis

archies of knowledge are sustained by these power technologies, and how do they affect the actors' ability to think, speak and act in certain ways?

The subject is not the point of departure but rather the fulcrum of discursive power strategies. Discursive power strategies are an expression of 'intentional non-subjectivity'. On the one hand, all discursive strategies bear the *intention* of creating a specific discursive order – though this order exists neither as a blueprint nor as a utopia. On the other hand, discursive strategies cannot be invented, controlled or mastered by any single *subjectivity*, be it a political party, a company or a state. On the contrary, subjectivity is something that is created as part of a discursive strategy.

Since discursive power strategies work through local institutional apparatuses that link power and knowledge it is obvious that power analyses cannot start from the top and thereafter proceed downwards. Power is organized and exercised in locally based institutions and hence the analysis of power must take its point of departure in an *ascending direction* (Foucault 1986, p. 99). He argues that global power strategies are conditioned by local strategies that are the building blocks of the global strategies. However, at the same time, local power strategies are conditioned by global strategies that strengthen them and provide them with direction (Foucault 1990, pp. 99–100).

Foucault was not very fond of liberal democracy and did not draw any consequences from his power analytics to the study of power in liberal democracies. Our claim is that the concept of sovereign power and the related top-down perspective on power tends to privilege the study of power and marginalize the study of democracy. For if power is viewed as the sovereign's right to repress other actors by legal means, then the study of democracy can be readily reduced to the question of the distribution of legally exercised power. Democracy prevails as long as the holder of sovereign power, who embodies the will of the free and equal citizens, respects the law and is not constrained by other actors. Whether these fundamental democratic conditions are fulfilled can be assessed through judicial review and a study of the distribution of power.

Now, as soon as we start to see power as a discursive power to be studied in a bottom-up perspective, democracy comes to the fore. The study of democracy can no longer be reduced to a study of the distribution of power, because power is now a question of the strategic interaction of a multitude of contingently constructed agencies. When power ceases to be a question of the legitimate exercise of sovereign power, democracy becomes a question of the regulation of the antagonistic power struggles through the construction of rules for access, procedures for negotiation, norms about mutual tolerance, and values such as freedom and equality. In other words, when power is seen as something that comes from everywhere, democracy becomes a mode of governance to be studied in its own right. Furthermore, it is to be evaluated in terms of its ability to regulate the multiple power strategies in a way which makes power an empty space. It must keep the

locus of power open for a multitude of voices and ideas and prevent it from being appropriated by a totalizing political force.

3 Five Scandinavian studies of power and democracy

In 1972 the Norwegian government asked a group of researchers to examine how power was distributed. Two studies were made in Sweden in 1985 and again in 1997. The two final studies – a Danish and another Norwegian were started in 1998 – are not yet completed. In what follows we briefly present the five studies while emphasizing their changing focus.

The first Norwegian study of power and democracy

The Norwegian government inspires the need for at study of power and democracy with reference to a possible discrepancy between the formal and the actual distribution of power in the country. The government is especially interested in studies which examine the illegitimate use of power by strong financial groups, huge organizations, the administrative apparatus, mass media and international corporations. In other words, the government wants to envisage possible threats against the sovereignty of the democratically appointed institutions. Accordingly, it shows little interest in the question of democracy understood as the process and institutions through which sovereign power is constituted and legitimated. Neither does the government require an ascending power analysis. It wants a macro- and actor-oriented study that places the focus of attention on the relationship between the dominating power holders in Norway. The aim is to gather information about the nature of the 'conditions that give individual actors, groups or institutions power' (NSPD 1982, p. 1) and 'clarification about the relations of power between the most important groups' (1982, p. 1).

The appointed group of researchers adopted the perspective of the government. Power was defined along the lines of a sovereign concept of power as: 'decision making power, A's power over B, the ability to act collectively, and power based on technological dependencies' (1982, p. 4). A descending power analysis focused on the power exercised by the most important groups in society defined as public administrators, interest organizations, firms and mass media.

The main result of the first Norwegian study of power and democracy is that the political system is dis-empowered as a result of: (1) an increasing institutionalization of the relationship between public and private actors that has lead to a sectorialization and segmentation of the public sector; (2) the increasing political influence of organized groups and private finance; and (3) a general decline in the ability of the political system to govern. The researchers conclude that current threats to sovereign power are not only caused by an increase in the power of illegitimate power holders, but also by institutional limits to governance as such (1982, p. 4). What is really at stake is the ability to perform societal governance in Norway.

The first Swedish study of power and democracy

The first Swedish study resembles the first Norwegian study. The main concern of the Swedish government is that economically powerful actors gain an unacceptable amount of influence in political life. Accordingly, the question of democracy is again reduced to an investigation of the threats facing the democratic sovereignty of elected politicians. What is called for is a descending power analysis focusing on: 'how power resources and influence are distributed in different parts of Swedish society such as business life, the public sector, organisations and mass media' (SSPD 1990, p. 11).

In contrast to the Norwegian study, the appointed research group is critical of the 'society-oriented' and élitist perspectives on power and democracy presented by the government. The concept of democracy sustains the system because of its realistic approach, and it ignores a more 'individual-oriented' concept of democracy. Accordingly, the government fails to recognize that a central aspect of the democratization process in Sweden has been the attempt to establish a balance between the two perceptions of democracy. The researchers are in favour of a more complex, normative and change-oriented concept of democracy.

The researchers argue that power traditionally has been about 'influencing how?' and 'influencing who?' (1990, p. 44). They stress the need for a broader concept of power that makes room for the analysis of mind-controlling power and discursive power (1990, p. 44).

As a consequence of the reformulation of the concepts of power and democracy the question of democracy now becomes a central part of the analysis. A study of sovereign power is supplemented with an analysis of the ability of individual citizens to obtain influence over their own lives and society as a whole. This intention to focus on citizenship and discursive power in everyday life calls for the introduction of elements of an ascending analysis of power as a supplement to the traditional – and still dominant – descending analysis of power.

However, there seems to be some difference between intention and result. Most of the actual research is based on a sovereign concept of power, a society-oriented concept of democracy and a descending power analysis. Therborn, one of its critics, claims that the study overlooks the conditions of possibility of power which is connected to the modern conception of power – power defined as the ability to control and govern society (Therborn 1992, pp. 71, 75). He calls for a historical analysis of the influence of institutions on the nature of power, its consequences, and a process-oriented analysis of concrete policy processes.

The second Swedish study of power and democracy

In 1997 the Swedish government initiated a second study of power and democracy (SG 1997). This study is different from the former studies in several ways. First, it is less ambitious in scope. The main objective is not

to produce new research but to present an overview of existing research on power and democracy in Sweden. Second, the study is not led by researchers but by a parliamentary committee. Finally, the government shows more interest in the study of democracy than in the study of power. Hence, the parliamentary committee finds it 'remarkable that the term power is not mentioned once in the government directive' (SSPD 2000, p. 35).

The parliamentary committee was asked to shed light on the negative and positive effects of some major societal changes on the functioning of Swedish democracy: the internationalization of the economy; Sweden's membership of the EU; the spread of information technology; changes in the public sector; and changes in the way citizens engage in the political decision-making process through their participation in elections, the mass media and social movements. In contrast to the first Swedish study these changes are not seen as threats which should be remedied in order to reinforce parliamentary democracy. They are seen as conditions of possibility which Swedish democracy must adjust to. Hence, the former call for a re-authorization of the parliamentary chain of governance is replaced by a change-oriented wish to develop new democratic institutions which are capable of functioning in a world dominated by the New Economy and post modern forms of citizenship. Because of this change of perspective, an ascending power analysis is introduced which focuses on the conditions for developing new democratic institutions.

The parliamentary committee concluded the study in the year 2000 with a final report entitled: 'The persistent democracy' (2000). Unlike the first Swedish study of power and democracy, the intentions of focusing on democracy have been realized in practice. Actually, the large majority of publications on which the report is based are concerned with the functioning of democratic institutions and the relationship between citizens and the political system (Amna 1999a, 1999b). Furthermore, a descending power analysis is supplemented by an ascending one that deals with the functioning of democratic institutions in relation to the everyday lives of the Swedish people (Montin 1998; Amna 1999b; Amna 1999c). The central role this analytical approach has obtained, is not only caused by the change-oriented perspective on Swedish democracy. It is also caused by the participatory and deliberative conception of democracy to which the parliamentary committee attests (SSPD 2000, p. 23). In many ways this second Swedish study of power and democracy could be seen as some kind of follow-up on the first Swedish study, dealing with the questions that the first study failed to tackle. This follow-up moves the Nordic studies of power and democracy closer to a discursive and ascending power analysis. It does not take the sovereign power of the Swedish Parliament for granted. The committee investigates the democratic distribution of influence between a multitude of levels and actors. Democracy is conceived and studied in terms of a 'flexible multi-level governance' and a 'negotiated sovereignty'

(2000, p. 112). With regard to Therborn's critique of the first study this second study gives more room for historical analyses. However, it does not study the discursive conditions of possibilities for the exercise of power and does not undertake any process-oriented studies of policy processes.

The second Norwegian study of power and democracy

In 1998 the Norwegian Parliament appointed a research group to do a second study of power and democracy within a period of five years. The researchers were asked to explore 'the conditions for the Norwegian democracy and changes within them' (NP 1997). Democracy was, in this context, defined as representative democracy: 'The study should focus on how representative democracy and its conditions of being are being challenged and affected' (NP 1997). The challenges to representative democracy are taken to be internationalization, new technology, public opinion making, environmental problems, multi-culturalism, knowledge society, decentralization and deregulation. These challenges, the politicians argue, make necessary a new study of power and democracy.

The research group agrees. They claim that the nation state is challenged both from the outside and from the inside. The former are caused by increased internationalization and globalization which delimit the realm of state action while the latter is caused by the growing autonomy of subsystems and the emergence of new and more individualistic values in the population. In order to shed light on the consequences of these changes the research group chooses to investigate the relationships and balances of power within and between four societal spheres. Hence, the overall focus is on the role of 'the state, civil society, the market and community arenas in a nation state under pressure' (Østerud *et al.* 1999, p. 143).

In many ways the second Norwegian study maintains a sovereign perspective on power. Regardless of the societal changes, representative democracy is maintained as the key reference point for considerations about the future of democracy. We find few of the change-oriented considerations, which dominated the second Swedish study, regarding an adjustment of the concept and institutions of liberal democracy to current societal changes. The study of democracy is more or less reduced to a question of finding new ways to legitimize state power: 'The conditions under which power and exercise of power is accepted as legitimate establishes much of the connection between power and democracy in this study' (1999, p. 140).

However, despite the sovereign approach to the study of democracy the research group introduces some elements of a discursive concept of power. Power is perceived as being everywhere, and although an actor-oriented approach dominates, it is emphasized that power also operates through the shaping of symbols and through the construction of meaning and identities. Hence, in an otherwise critical article entitled 'A new study of power and democracy in old tracks?', a commentator complements the research group for its interest in 'identity formation, the power of definitions and knowl-

edge and the hegemonic power connected to the influencing of ideas and images of how things are' (Gullestad 1999, p. 18). Finally, power is not only regarded as being repressive, but as a platform for empowering ordinary citizens in a democratic society.

This kind of research calls for an ascending analysis. Accordingly, the research group stresses the need for historical studies, process-oriented studies of actual policy making, and studies of relations of power in everyday life.

To sum up, even though this second Norwegian study is still dominated by a sovereign concept of power and a descending power analysis it introduces elements of a discursive concept of power and an ascending power analysis. Furthermore, it is much more oriented towards the study of democracy than the first Norwegian study.

The Danish study of power and democracy

The second Norwegian study was initiated at the same time as a Danish study of power and democracy. Also this study was set to last five years. The study is strongly influenced by the first Norwegian and Swedish studies which, according to the parliamentary committee, have 'contributed to destroying the myth that the parliament is the only powerful body within the political system' (DPC 1997, p. 5). Political decision making has been displaced upwards to the EU, downwards to local institutions and user boards, and outwards to increasingly independent semi-public institutions. However, this development has not affected the expectations of the politicians that they are sovereign decision makers on almost any issue concerning the governing of society. The recognition of this problem does not lead the parliamentary committee to ask for a study that aims to reinstate the parliamentary chain of government. Instead, they ask for a redefinition of democratic institutions and the role of politicians in processes of societal governance (1997, p. 11).

This approach calls for a combination of a descending and an ascending power analysis. The former is used to focus on formal and informal distribution of power and influence amongst the actors in the established political system. The latter serves to investigate: the influence which public institutions, organizations, associations and movements grant their users and members; the distribution of influence in actual decision-making processes; and the ability of ordinary citizens to influence their everyday lives.

The appointed group of researchers followed the propositions made by the parliamentary committee. They argue that the analysis of 'governance in Denmark must deal with both individuals, political institutions and the underlying transformations in society' (DSPD 1998, p. 1). They opt for a descending power analysis of the functioning of political institutions and the abilities of political élites to govern. At the same time, they recommend an ascending analysis of power in order to deal with the influence of ordinary citizens and the study of concrete policy processes.

However, the researchers go even further in the direction of a discursive power analysis. They explicitly urge Danish researchers to study: (1) the construction of social problems and the formation of structures of meaning; (2) the role of symbols and path dependencies in policy formation processes; and (3) the genealogy of governing ambitions and the historical development of the notions of democracy and power (1998, pp. 9–10, 13). A number of such research proposals are currently being carried out (DSPD 1999). Accordingly, the Danish study, although it is dominated by a sovereign concept of power and democracy, leaves considerable room for discursive power analyses.

Concluding remarks

To sum up, there seems to be three general trends in the Scandinavian studies of power and democracy. First, the focus gradually changes from a focus on power to a focus on democracy. Second, a discursive concept of power is slowly but steadily making its way into the studies. Third, we witness an increased interest in ascending analyses of power. How far the development towards a discursive concept of power and an ascending power analysis will go in the future, depends on the insights that this approach is able to produce. While the outcome of the second Swedish study gives reasons for optimism, the discursive approach to the study of power and democracy stands its real trial in the ongoing Norwegian and Danish studies. When they are concluded in 2003 we will be much wiser as to the fruitfulness of the new approach in the study of power and democracy.

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BUREAUCRATIC ELITES IN WESTERN EUROPEAN STATES: A COMPARATIVE ANALYSIS OF TOP OFFICIALS

Edward Page and Vincent Wright (eds.)

Oxford University Press, 1999. 298 pp. £43.00 (hard), £14.99 (paper)

This book examines the changing position of senior civil servants in eleven member states of the European Union in the post-war period. Expertly edited by Ed Page and the late Vincent Wright, this book presents country expertise from first-rate collaborators in a common chapter format. The introduction and conclusion provide coherence to the volume.

The main purpose of the book is to assess the impact of socio-economic and political developments of the last decades on the status and role definition of top civil servants. The authors speculate how changes in the educational system, the growth of managerial theory, the development of the party system, the growth of government and increasing complexity of its internal structure, and – though weakly developed – of EU membership might lead to convergent role definitions for senior civil servants.

The book is of two minds on this question. On the one hand, the editors claim that 'change does not appear to have followed any one expected pattern' (p. 266). There are still major differences in social background, recruitment patterns and career development of top civil servants. Role and status have changed, but it is impossible to generalize about the direction and magnitude of change or about the factors driving it. The book emphasizes the extraordinary resilience of different national bureaucratic traditions.

Path dependence, then, appears a powerful force in shaping bureaucracies, and particularly the role of senior civil servants. However, this conclusion is undercut by the second, and more compelling, argument in the concluding chapter, where the editors explain how top civil servants' role has undergone major convergent change in one aspect, namely in their relationship with their political masters. Two issues have bedevilled bureaucracies in Europe over the past thirty years and have pulled senior civil servants on to converging paths. One has been the question of political control, i.e. how it can be guaranteed that top bureaucrats will serve a democratically elected government. By and large, the authors argue, there has been convergence on the French/German practice for selective direct partisan influence on senior appointments ('commanding heights approach'), and this has weakened two rival notions: that of a neutral civil service (as in Britain or the Netherlands) or of a party-card bureaucracy reflecting party strength (as in Austria, Belgium or Greece). Another issue of contention concerns bureaucratic efficiency, an ambivalent concept that raises the prior issue of whether a bureaucracy should be judged by analogy with the market or as an organization with distinctive public purposes. The authors examine the differential impact of New Public Management (NPM), which is explicitly based on 'an application of the logic of a Betrieb . . . to the erstwhile Hegelian magical state' (p. 274). In all countries, there has been a shift to NPM ideas, although they have taken root most strongly where the conception of public authority was already weak. These two trends have fundamentally redefined the role of top civil servants in a way that is remarkably similar across countries.

The editors finish with the fascinating hypothesis that these trends to selective politicization and greater managerial efficiency have led to 'a de-institutionalization or personalization of political trust'. Trust used to flow automatically from a civil servant's membership of an institution: in a party-card system, from one's party membership; in a tradition of administrative

neutrality, from one's position in the hierarchy. But trust in the bureaucracy as an institution has withered, instead, whether a civil servant wins the trust of his political masters depends now much more on the personal characteristics of the man or woman. The individual with good social and political skills, with personal ties with political masters, or with the personal managerial qualities that politicians recognize. This is an intriguing hypothesis, which unfortunately remains unexplored in the individual country chapters.

The book fills two important lacunae in the literature on public administration and political élites. First, the country span of the book is unique. As the editors point out, except for Britain, France and Germany, there is precious little material available in English (or another major language) on many countries. The chapters on Greece (Dimitri Sotiropoulos), Spain (Ignacio Molina), on Austria (Barbara Liegl and Wolfgang Muller) and on Belgium (Marleen Brans and Annie Hondeghem) are therefore highly informative; they also happen to be, together with the conclusion, the strongest chapters in the book. And although the authors eschew rigorous data analysis, most chapters present empirical data – sometimes not previously published in English – in systematic fashion. Second, this study reaffirms the analytical power of a socio-structural analysis of positions and role definitions of top civil servants. It starts from the assumption that an examination of social characteristics and recruitment or career patterns provides considerable leverage in understanding change in top civil servants' roles. This complements the socio-psychological analyses pioneered by Aberbach, Rockman and Putnam, which examine role definitions by mapping the attitudes or orientations of individual top officials. They usually base their analysis on interview or survey data.

A major downside of the book concerns its rather dismissive treatment of other studies, particularly those with an alternative conceptualization or method. The editors of this book discard for example attitudinal studies of top civil servants on the grounds that such studies do not allow for a dynamic analysis. But this is a weak argument. Not only is it possible to design a study of top officials over multiple time points – the kind of exercise that Aberbach and Rockman have been engaged in for US federal civil servants since the 1980s and have carried on throughout the 1990s. It is also possible, through statistical analysis, to examine dynamic elements such as the impact of length of service, recruitment cohort, age, etc. The criticism appears to be rooted in a deep, though implicit distrust of attitudes – 'words' rather than 'deeds' – and the methodology of interviews and surveys. This reviewer begs to disagree; the study of attitudes or orientations of both élites and the mass public has acquired considerable sophistication in the 1990s. Much of this has been achieved in the subfield of American politics, but some has been developed in British politics as well (for example Donald Searing (1994) on the roles of British parliamentarians). The authors have missed a chance to use this literature.

But these criticisms do not detract from this highly valuable contribution to public administration. The book is richer in empirical evidence than in conceptual language. There is no grand theoretical ambition here; the book is instead infused with a respect for uniqueness and complexity, and a measured scepticism about swift generalization. Those who knew the late Vincent Wright and know Edward Page will recognize their conscious hand in this. Yet the book casts a perceptive eye on the changing role of top civil servants in Europe, and it suggests a potential groundswell in the relationships between bureaucracy, politics and society.

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PUBLIC POLICY DISASTERS IN WESTERN EUROPE

Pat Gray and Paul 't Hart (eds.)

Routledge, 1998. 219 pp. \$90.00

Some chapters of this book report on political incidents so adverse and strange that they can only happen in practice. Despite this, 18 authors in 11 chapters do their best to theorize on institutional malfunction, awkward decision making and political confusion. The most interesting and portentous question which remains after reading the book is about the future of policy making in an increasingly complex world of fragmented government. Besides, an unpleasant impression sneaks up on the reader. It refers to a possibly widening gap between a growing political rhetoric of good governance and a political reality full of helplessness and malfeasance.

Often the definition of disaster is limited to natural events such as major floods, fires, earthquakes or tornadoes. In other cases the definition is extended to man-made disasters like war, transportation accidents and environmental contamination caused by human actions. In contrast, Pat Gray's and Paul 't Hart's book deals with public policy disasters. What are public policy disasters? In her introduction Pat Gray discusses several definitions of public policy disasters which range from more general approaches – events that involve a considerable loss of control by political authority – to a rather specific notion of 'policies which have failed against nearly every possible criteria of evaluation, caused considerable disruption which was foreseeable and/or avoidable, and triggered complex trails of unintended consequences' (p. 8).

The eleven chapters clearly reveal that disaster and crisis are related concepts: both are characterized by rapid time sequences, disruption of the usual coping mechanisms, perceptions of threat and helplessness and eventually by major changes in behaviour. Thus, the distinction between a crisis and a disaster may be a matter of degree. Although the editors may disagree, I assume that social theories applying to political crises can apply also to public policy disasters and vice versa. And indeed several contributors seem to prefer the term crisis at least when they refer to failures of institutional co-ordination or deficiencies of political choices. Lode van Outrive for instance in his chapter on 'The Disastrous Justice System in Belgium' seems to prefer the term crisis or even fiasco to describe an incredible compound of harmful socio-economic conditions, benign neglect of urgent problems, shortage of opportunities, a poignant lack of material means to function, absence of control and excessive and obscure intrigues resulting from the politicization of the justice system. What he describes is a legitimization crisis of the state caused by insufficient institutions and political negligence.

In their report of a disastrous fight against organized crime in the Netherlands, Mark Bovens and others draw attention to the constructivist concept of public policy disasters. They emphasize that 'the construction of policy disasters is a highly political activity since it always involves the attribution of accountability and blame' (p. 40). I am not sure whether this constructivist trait is an exclusive feature of policy disasters as the authors claim. There are specific natural disasters like nuclear radiation or the ozone depletion and global warming that can neither be observed by human senses alone and therefore require the revelation and interpretation of contentious indications as well as unsettled scientific theories. Therefore, the sharp distinction which the authors draw between policy disasters and natural disasters may not be particularly helpful.

Rob Baggs' most instructive chapter on 'The BSE Crisis' emphasizes the importance of inadequate scientific knowledge and the resulting political dispute and stumbling into an intricate policy disaster. The crisis resulted from uncertainties about how BSE and its human equivalent, Creutzfeld-Jacob disease, were related. Hence, the declining public trust in government did not arise from the BSE-crisis as the author ambiguously asserts (p. 63), it was rather the main constituent of the BSE-crisis. The loss of political credibility was caused by intra- and international conflicts of interest in the face of blurred political responsibilities and uncertainties about the cause-effect relationship of an epidemic disease. From a historical perspec-

tive, threats of epidemic diseases have strengthened or even created political authority. In the BSE-case, however, only the interplay of political opacity in the European policy-making system with a lack of reliable scientific expertise led to a serious legitimization crisis. So I doubt whether the so called 'risk-society' is particularly appropriate to describe the undermining of government authority and administration in this case, as the author concludes. I prefer the author's institutional explanation. The replacement of authoritative government by policy communities and networks of public and private stakeholders within Britain and in the European Union explains much of this policy disaster. Accordingly, the European Parliament's inquiry into the affair revealed advisory committees and decision-making processes as opaque, complex and anti-democratic.

Robert Sykes raises the question whether the failure of Italian governments to develop or promote the Italian South should be understood as a *policy* disaster or a *political* disaster. He concludes that the public policy for southern Italy has to be explained 'in the context of a crisis of the overall political system in Italy' (p. 91). In contrast, Wolfgang Seibel's analysis of the German currency union of 1990 shows that, in this case, political stability and trust in the capacities of a sound political system encouraged a risky strategy. He deduces from the German case, 'that policy disasters are likely to be facilitated when key actors may anticipate the availability of coping resources designed to mitigate undesirable effects of risky decisions they have to make' (p. 110). Seibel's chapter differs from other contributions insofar as, in this case, many experts warned against the disastrous effects whereas politicians consciously took the risk in the hope of sufficient economic and administrative resources to mitigate them. This raises the question whether such a strategy of risk taking combined with the availability of coping responses allows us to speak of a policy disaster any more. Most experts would agree that a currency union of the most divergent economies would cause disastrous economic effects. From a political point of view, the German currency union opened the one and only way to unification and could therefore be called a political success.

Further subjects covered are the 'Arms to Iraq affair' (Pat Gray), the defence of the Swedish Crown during the 1992 ERM crisis (Eric Stern and Bengt Sundelin), the European fisheries policy (Ella Ritchie and Anthony Zitho) and the European Community's foreign and refugee policies towards the conflict in Yugoslavia 1991–95 (Joanne van Selm-Thurburn and Bertjan Verbeek). Mark Bovens, Paul 't Hart and B. Guy Peters in their concluding reflections distinguish two dimensions of failure and success. Accordingly, a programme failure can be quite a success in political terms and vice versa. The worst case is given when a major political crisis meets with fundamental programme failures. This is often because of institutional malfunction and awkward political handling of problems. The authors classify the EU Yugoslavia policy, the BSE-Crisis, the Belgian justice system and the Dutch fight against organized crime as failures in both the political and programme dimensions of policy disaster. In contrast, the German currency crisis and the Italian policy in the South are said to have been political successes despite their disastrous policy outcomes.

The book raises some interesting and important questions. Is there a trend towards more and severer public policy disasters? Can policy disasters be explained as a paradoxical by-product of the ongoing institutional complexity and fragmentation of government? Does tighter coupling of social, technical and political systems render programme failures more likely? The different book chapters let us expect such explanations. At the same time they show that public policy disasters are driven by many interrelated factors. Thus, the editors are right to call for future research on this topic.

The book is covered by a simple cardboard and costs one US-dollar per sheet of thematically printed paper. This may be an adequate price for a few outstanding chapters. However 90 dollars seems to be a steep price for the whole book.

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BEYOND THE MARKET: THE EU AND NATIONAL SOCIAL POLICY

David Hine and Hussein Kassim (eds.)

Routledge, 1998. 248 pp. £16.99 (paper)

Beyond the Market is a collection of mostly very interesting essays and is therefore to be highly recommended to those with an interest in the EU and in social policy.

The subtitle *The EU and National Social Policy* should not be misinterpreted in the sense that this study would analyse in detail the implementation of EC social policy. In fact, the practical impact at the national level of the EC's specific social and labour law Directives largely stays an issue to be explored, notably in a broad comparative perspective. At this still rather early stage of the 'second image reversed' debate (i.e. on the effects of European integration on the national political systems and policies), however, it should be underlined that it is already a major achievement to present relevant EU measures which serve as an input into the national social policy processes and to reflect on European integration (in both the social and the economic realms) as a general framework in which contemporary national policy making takes place, as most chapters in this volume do.

It would probably have been too ambitious a research design for an 'edited book' to elaborate a systematic concept of the various kinds of feedback effects of European (social) integration into the member states, as a joint basis to be applied in all chapters. Nevertheless, many readers might have found the book, which aims to 'examine the impact of the European Union on the formation and content of national social policy', even more useful if the authors had applied common systematic yardsticks for measuring and comparing, in the different sub-fields: the EU-competences and policy styles; the amount of secondary law adopted, in relation to national activity in the fields; and the kinds of – and the degree of – adaptational pressure and the various restrictions to act unilaterally at the national level. That all these topics meld into each other throughout the book may lead to some misunderstandings. This is already documented in the ECSA-USA Review of Fall 1999, where a reviewer wrongly concluded that equal opportunities for men and women would be a field where integration was occurring only slowly, when compared with other social areas. The origin of the misunderstanding may be that Sonia Mazey, in her extremely interesting chapter on the EU and women's rights, focuses on implementation problems and questionable practical effects (in the UK and France) to a larger extent than most other authors do for their fields – which should, however, not lead readers to overlook that the EU (often via its court) has had a rather more important and certainly more direct role in this particular sub-field of social policy than it has had in the others included in the collection.

In any case, as long as readers keep in mind that the chapters are in many ways not directly comparable, since they are not the result of a tightly co-ordinated research project, they will benefit a lot from this collection of texts edited by David Hine and Hussein Kassim. The discussions tackle (to varying extents) the potential usefulness of EU activities in the social sphere, the state of development of specific EU policies and, finally (in a sometimes more and sometimes less general manner), the latter's practical effects on the member states. They cover a number of fields and topics: the 'social contract' in the wider sense (Martin Rhodes), unemployment policy (Richard Jackman), social dumping (David Goodhart), labour market challenges and monetary union (Jens Bastian), social partnership (Michael Gold), women's rights (Sonia Mazey) and training policy (Susan Milner). Somewhat outside the social policy focus of the book, but clearly of general interest, are the contributions by Giandomenico Majone ('Understanding regulatory growth in the EC') and by David Freestone and Aaron McLoughlin (on environmental protection).

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THEORIES OF EUROPEAN INTEGRATION

Ben Rosamond

Macmillan, 2000. 232 pp. £42.99 (hard), £13.99 (paper)

Rosamond's book strives to address and explore several issues. First, it aims to provide an 'up-to-date cartography' of theoretical work on European integration. It offers a highly detailed, extensive and critical analysis of classical and contemporary theories of European integration, reaching from the classical concepts of functionalism, federalism and transactionalism through the old debate between intergovernmentalists and neofunctionalists, to the contemporary approaches of new institutionalism, policy networks, multi-level governance and liberal intergovernmentalism.

The second and perhaps the most commendable purpose of the book is to locate the different theoretical debates within their broader historical and intellectual context. Rosamond argues convincingly that on the basis of this broader understanding we are able to evaluate debates between different schools in their own terms. Understanding the varying theoretical positions as they evolve in a broader context not only helps to establish theoretical trajectories between different approaches, but also avoids potentially unwarranted classifications of approaches as either wrong or misguided.

Judging theories on the extent to which they correspond with the 'observed' reality is only one way of evaluating the relevance of a theory. One might arrive at a rather different assessment when applying a more differentiated evaluation concept, including the underlying assumptions about both the nature of the social world and the processes/purposes of theorizing inherent in a certain approach. In advocating this more reflective procedure in dealing with theories of European integration, Rosamond emphasizes that there are 'serious problems involved in cordoning off "theory" in EU studies. An always latent danger is that EU studies becomes populated by sub-specialisms such as the Common Agricultural Policy and the relationship between German domestic politics and EU decision-making' (p. 3). In particular the author claims 'that "international theory" has been too readily written off by contemporary writers seeking to offer theoretical treatments of the EU' (p. 19), misreading and misinterpreting some very important theoretical developments.

It is especially this linkage of a detailed analysis of theoretical work on European integration and the reflective evaluation of the varying approaches in light of their broader historical and intellectual context, that constitutes one of the major achievements of this book. Rather than simply adding up to the numerous collections and readers on integration theory, the book offers an insightful account of the particular social scientific concerns that gave rise to certain approaches and the social scientific environments in which they operated.

The third objective of the book is to explore the respective claims of International Relations and Comparative Politics to offer the most appropriate conceptional framework for the study of the European Union. Rosamond characterizes this question as a 'non-problem, relying on a false dichotomy between these two disciplinary domains' (p. 196). Although scholars with a different disciplinary background might assess and conceptualize European integration in different ways, there are a lot of opportunities for theoretical connections between the two subfields. There are converging tendencies which allow for the transcendence of the disciplinary divide between International Relations and Comparative Politics, given the common focus on similar theoretical frameworks, such as theories of regulation, epistemic communities, institutional choice, the role of ideas in policy making as well as policy networks.

Although fully convincing, this argument is certainly not entirely new. In fact, studies addressing issues of European integration, in many instances, combine questions of International Relations and Comparative Politics in a rather fruitful way. In particular, it is the process of European integration, which indicates the synergy effects emerging from the erosion of 'disciplinary boundaries'.

In conclusion, the book offers a highly valuable assessment and evaluation of the theoretical

work on European integration. It combines detailed description, critical analysis and reflexive evaluation of the main conceptual and theoretical discussions generated by the study of the European Union. It should therefore be essential reading for students and scholars interested in the field, regardless of their disciplinary background.

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THE NEW DEMOCRATIC FEDERALISM FOR EUROPE. FUNCTIONAL, OVERLAPPING AND COMPETING JURISDICTIONS

Bruno S. Frey and Reiner Eichenberger

Edward Elgar, 1999. 111 pp. £40.77

This rather slim book provides a thought-provoking prescription for institutional reform. The basic idea is the creation of functional, overlapping and competing jurisdictions. Behind the idea lies two assumptions: (1) different tasks require different institutional settings, and (2) to achieve such flexible forms of functional organization the basic social units must have the right to exit from one functional jurisdiction to another and eventually to form new jurisdictions. Thus competition is introduced among existing as well as prospective jurisdictions, and as these jurisdictions finance their activities through taxes collected by themselves, a strong incentive for efficient provision of public services has been created. Less efficient jurisdictions will lose members to competing jurisdictions that provide better and/or cheaper schools, waste disposal, roads, care for the elderly, etc.

A polity that shares the above characteristics is called a FOCUS. Several distinctive traits mark it out from conventional political and administrative units. First, direct democracy plays an important role as the prime channel for aggregation of individual preferences. Second, as each FOCUS collects its own taxes and fees, intergovernmental transfers do not exist. Third, the ideas behind the functional, overlapping, and competing jurisdictions turn traditional ideas about governance on its head. The idea of top-down governance, and of any amount of devolution as being based on delegation from central to lower level authorities, is replaced by an idea of governing from below. Political authority rests with the smallest units, the individual or the commune, and higher level institutions only come into play if and when these basic units decide to join a higher level jurisdiction to solve one or several collective problems. When they do so, they always retain the right to leave the jurisdiction in order to join a competing jurisdiction. Therefore, the larger units face the threat that some of their members might use their exit option.

Bruno Frey and Reiner Eichenberger, two Swiss economists, present their ideas in an engaging and straightforward way. In developing their ideas they draw upon a wide range of economic and political science literature. Especially they rely on a combination of modern political economy and of institutional economics. Step by step they start by developing their own idea to confront it with other authors that have dealt with similar problems on a theoretical or empirical basis. The structure has considerable advantages: the authors clearly demonstrate that although superficially radical, their ideas rest on rather solid analysis; equally important, the logic of exposition allows the authors to develop their own prescriptions in a modest tone, far removed from the fanfares and occasional arrogance accompanying much of the literature within the public choice tradition.

In contemporary Europe the Frey and Eichenberger prescription has particular relevance in two important respects. The one to which they owe most attention is the institutional problems of the EU and the prospects of the expansion of the EU to accept a large number of new member countries, in particular from Eastern Europe. First, they point out that the present

day EU has moved far beyond the regulatory and institutional safeguards that are needed to make the basic four freedoms (mobility of goods, services, capital, and labour) operative on a European scale. What we have got instead is a centralized set of institutions with weak democratic controls, no provisions for direct democracy and, particularly damaging, a political process where bargaining is mainly focused on intergovernmental transfers. They rightly point out that European politics in this respect is democratically and economically deficient. But, equally important, European politics following this pattern makes the present EU ill prepared to admit a larger number of new member countries from Eastern Europe and the Mediterranean. Their point is that a EU reorganized along their FOCJ-lines would cure these basic evils while being simultaneously better prepared to accept new members.

The second area of application is local government reform. While Switzerland has kept the local government structures from last century mainly intact, other countries in North Western Europe have gone through consecutive reforms. In the Nordic countries this has led to the consolidation of local government keeping only a fraction of the original units. In Germany it has led to the creation a pseudo-federal structure and so called *Zweckverbände* at the local level, but the federal authorities monopolize tax collection. This directs the efforts of the *Laender* towards the national centre. For their part, the local, functional associations remain bureaucratic entities removed from both democratic control and competitive pressures. In either case the consequences are not dissimilar to those in the EU. Democratic control is indirect and often weak, and politics is bargaining about intergovernmental transfers that tend to disclose the allocation of costs and benefits to the electorate. It is no relevant argument against Frey and Eichenberger that their prescription for the creation of functional, overlapping, and competing jurisdictions is unable to operate. In their book they provide strong theoretical support for its viability, and they also demonstrate that real world institutions sometimes and to some extent share traits with their favourite FOCJs. Still, this does not meet the challenges involved if their programme for institutional reform is to be implemented in the form of real life institutions. So, it is difficult to see how it might be possible on a larger scale to move from conventional politics, given the strong vested interests against reform. Further, although they rightly point out that there are instances that realize their FOCJ principles, these instances are few and slightly exotic. They rather demonstrate the strength of traditional politics and the effectiveness of political actors in building institutions that protect special interests against the concerns behind the prescription. Regrettably, this latter perspective is mostly neglected in this otherwise well-argued and exciting analysis.

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ENVIRONMENTAL POLICY IN THE EUROPEAN UNION

P.M. Barnes and I.G. Barnes

Edward Elgar, 1999. 320 pp. £59.95 (hard), £25.00 (paper)

To write a book on EU environmental policy appears to be a more daunting task than one might at first think. While environmental policy used to be little more than an appendix to the common market policies of the European Union, it is nowadays not only a comprehensive body of several hundred directives, but also a policy that stretches into most other sectoral policies of the European Union. The interwoven character of environmental policy lies not only in the implications that various sectoral policies could possibly have for the environment, but also with the Treaty obligation since Amsterdam, to integrate environmental concerns into the traditional European policies in other sectors, such as agriculture. Since this is what EU environmental policy is about, writing a book on EU environmental policy becomes close to writing a book on *overall* EU policy, although with a 'green' perspective.

In addition to the amorphous character of EU environmental policy, it is also one of the most popularly researched policies of the European Union, as seen in the various specialist journals that relate to this area. Still, while publishers have been searching for a general book on EU environmental policy for more than ten years, most authors have preferred to take a partial approach, focusing on specific issues or mechanisms. Barnes and Barnes deserve credit for their courage in approaching the beast from 'head to tail' in a 300-page volume. The book starts with a brief account of the history of EU environmental policy, and then moves on to explain the complex policy-making process of the EU and its main institutions as it works in environmental affairs. Many would have been exhausted by this task, but Barnes and Barnes move on to address the crucial implementation and enforcement issues. In three subsequent chapters on market policies, trade and competitiveness, the interface with the economic and single market policies of the EU are uncovered. Finally, in four concise chapters, the sectoral policies of agriculture, energy, transport and tourism, as well as the efforts to integrate environmental concerns into these, are introduced.

Barnes and Barnes are well informed about EU policies and institutions, and give the reader a lucid presentation of the key issues and problems. The focus of the book is empirical, with a clear exposition of the official EU policies and the main controversies surrounding them. What the book does not do, is to address the recent literature on EU policy analysis, nor does it deal with the different theoretical explanations of the emergence of EU environmental policy. These range from conventional neofunctionalist theories of a 'spill-over' from economic co-operation, to more recent debates on the 'push-pull' dynamics of policy making among member states with different domestic levels of environmental protection. Confronting them with the empirical insights of the book could surely have produced some interesting qualifications to the premises and hypotheses of these theories. However, the purpose of the present book appears to be more introductory, and to address EU environmental policy as such.

It also strikes the reader that references to the academic literature, where different aspects of EU environmental policy have been discussed, are somewhat limited. In addition, some key aspects of the policy-making process among the EU institutions, which are quite contested in the scientific literature, for example the role of the Commissions versus the Council, are not addressed in the chapter on the policy-making process. Another, although not significant critique, is that, unfortunately, important details of the history of EU environmental policy included in Harald Bungarten's 1978-volume have not passed the language barrier from German to English.

The volume by Barnes and Barnes on EU environmental policy nevertheless deserves reading. It is likely to be of particular interest to academics, students and practitioners in search of a comprehensive introduction to EU environmental policy. Readers who are officials in the administration, business representatives or NGOs, and who are confronted with EU environmental policy in their daily work, will be particularly pleased with the comprehensive and clear exposition of the main issues and policy-making mechanisms in a single volume.

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PROGRAM EVALUATION. FORMS AND APPROACHES

John M. Owen and Patricia Rogers
 Sage Publications, 1999. 312 pp. £47.50 (hard), £15.99 (paper)

In this new international edition of *Program Evaluation Forms and Approaches*, Owen and Rogers seek to provide a conceptual framework for anchoring existing evaluation knowledge and practice. According to the authors (p. 2), they have adopted an eclectic view of the field in order to give the readers new directions for evaluation work.

Chapter 1 introduces a working description of evaluation and the logic of evaluation. One major idea of this chapter is that evaluation covers a broad range of activities, from negotiating an evaluation plan, via collecting and analysing evidence to produce findings, to the dissemination of findings, judgements and recommendations. The other major idea is that these key elements in the evaluation chain are linked together in a logic of evaluation. In the first chapter this logic is discussed with reference to impact evaluations. The major objective is to relate this logic to the other approaches of evaluation outlined in the book (p. 20). The ambition of the authors is not only to present an overview of up-to-date evaluation approaches, but also to offer an expanded and more integrated framework.

In chapter 2, Owens and Rogers focus on the 'what' question, as they classify possible objects for an evaluation into five categories: programmes, policies, organizations, products and individuals. Although it might seem obvious, experience shows that it is necessary to identify and define the evaluation object, the 'what' question, before the evaluator decides on appropriate models and approaches for the evaluation. The 'why' question, i.e. different evaluation forms and approaches, is outlined in chapter 3. Here Owen and Rogers classify evaluations into five categories or forms: proactive, clarificative, interactive, monitoring, and impact evaluation. The authors give a brief review of the different forms and link them to different approaches, such as objective-based needs-based or goal-free evaluation.

Chapters 4, 5 and 6 deal with the planning, data-collecting and analysing, and disseminating stages of the evaluation process. The authors devote special attention to the need for planning and communication skills in addition to data management skills in evaluations. Here they underline the difference between evaluations and other kinds of research. Evaluations are generally commissioned enquiries. This implies that evaluators have to communicate with stakeholders who have a special and legitimate interest in the project. Other kinds of research are usually motivated by the creation of new knowledge and the advancement of frontiers in a discipline or field, and the researchers are first and foremost accountable to the scientific community at large (pp. 64–5). This is a very important point, with both practical, professional and ethical implications for applied research which should not be underestimated. Obviously, a well-prepared tender from the commissioner and a well-negotiated plan which specify the various elements of the evaluation (i.e. the object, purpose, client/audiences, resources, key questions, data management, dissemination of findings, codes of behaviour, budget and timetable) are necessary in order to make realistic expectations of what to achieve and how to use the products of the evaluation. This is important because it helps to clarify the professional role of the evaluator. In chapter 5, Owen and Rogers discuss the question development and data-management stages of evaluations. They show how different styles of questions can be linked to different evaluation forms, and give a review of data management techniques and methodology. Data-techniques and methodology are, however, only superficially and summarily treated in this book. Interested readers will have to follow the authors' advice to consult other texts.

In chapter 7, Owen and Rogers turn their attention to the financial and human resources needed in an evaluation process. They illustrate how resources provided for the evaluation could be wasted if the identification of key players, the working relations between them, their contributions within the evaluation and their information needs are not clarified during the negotiation and planning stage of an evaluation (p. 133ff). Key players are conceptually distinguished into evaluators and audiences/clients on the one hand, and insiders and outsiders on the other. The authors then suggest four configurations of insiders and outsiders taking into account the status of the evaluator and client (insiders for insiders, insiders for outsiders, outsiders for insiders, and outsiders for outsiders). I find this chapter, considered in isolation, to be the least interesting one in the book. Considered together with chapter 8, however, where Owen and Rogers present and discuss ethical codes of behaviour for evaluators, the configurations of insiders and outsiders in chapter 7 are useful and interesting. An American study, referred to in the book (p. 167), shows that almost two-thirds of the respondents had encountered ethical problems in their work, and most problems were located in the post-data management phase. These included conflicts over presentations of findings being at odds with

the expectation of the clients, and disputes concerning disclosure of findings, ownership and misuse of the final report. These findings show that ethical standards represent a challenge to external evaluators, whether they are consultants or researchers. Commissioners, stakeholders and clients should, however, also pay attention to and discuss the ethical dilemmas evaluations may create.

In the last part of the book (chapters 9–13), the different forms of evaluation outlined in chapter 3 are discussed in greater detail, illustrated with examples from case studies of evaluations. These chapters represent an integrated discussion of orientation, typical issues, key approaches and methodologies linked to the different evaluation forms, presented in a well-structured and informative manner.

The book addresses both beginners and practitioners, students as well as consultants and researchers. This aim is an ambitious one, but in my opinion, Owen and Rogers are quite successful in fulfilling their ambition. Readers with no or little knowledge of evaluation theory and evaluation practice get a well-structured textbook in evaluation forms, strategies and stages, illustrated with a lot of examples from evaluation projects in education and social services. Working at an institute dedicated to *applied* research in the social sciences, I find the authors' broad and integrated perspective on evaluations interesting and stimulating, both on a practical and theoretical level.

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TELLING TALES: ON EVALUATION AND NARRATIVE. ADVANCES IN PROGRAM EVALUATION, VOLUME 6

Tineke Abma (ed.)

JAI press, 1999. 274 pp. Price not known

In one of the twelve chapters that comprise this edited book, it is said that you need to know something of the personal history of the evaluator to understand their comments; while in another, Michael Scriven is quoted as saying that evaluation is about valuing and that if an evaluator has not made a value judgement then s/he has not done the job. On the grounds that a book review is an evaluation of sorts, then I need to tell you something about myself before I tell you my evaluation of this book about the use of narrative or story telling in evaluation.

I grew up in Ireland – Belfast to be exact – and any of you who have been there will know that the culture is based on story telling. If you have ever been in the Crown Bar in Gt. Victoria St. (the only UK bar owned by the National Trust and highly recommended if you conference there), you will have heard the hubbub of conversation which happens when story telling meets alcohol. In a sense, this review started in a similar place because I am old enough to remember when in the course of an evening's entertainment, in the bar of course, there was a slot amongst the music for the story teller. Someone would perform a turn which was simply the re-telling of a folk tale or the telling of something which had happened to them. People would listen to them and honour the story and the act of telling the tale. I suppose this was the precursor to people like Dave Allen, and in Scotland, Billy Connolly, who took this type of story telling to television.

I put all this behind me when I went to university to read the science of psychology. The scientific method was all and we did positivism down to the counting of the number of bolts extruded by a startled rat. This was rigorous alright, but it was rigorous nonsense. I met a man at that time called Jerome Bruner and he said much as I felt. He later formulated this by saying that there were two modes of knowing; the logico scientific mode, and the narrative

mode which is about the construction of culture, acts of meaning and the things that make society human (Bruner, J. 1986. *Actual Minds, Possible Worlds*, Harvard University Press). And it is by narrative and story telling that we construct, share, perpetuate and change who we are: the antidote to positivism in the social sciences and the chance to say I wasn't wasting my time in the bar. My turn in the pub has been superseded by a number of turns known as: the narrative turn (Bruner), the cultural turn (Geertz), the interpretive turn (Blumer), the critical turn (Habermas), and most recently, the postmodern turn (Foucault).

Tineke Abma, the editor of this volume, in a very useful introductory chapter locates the field of evaluation in all this. She notes the historical desire of evaluators to be seen as scientific but says that while they gained precision, they lost much: for example, 'management bias and under-utilisation' (presumably of findings), and that they should reflect upon what it is they do by exploring new perspectives (p. 1). Narrative is identified as one such perspective and it is Bruner's work in psychology which provides the warrant and touchstone for such explorations. But there is more to the narrative or story telling than Bruner and the concluding chapter, again by Abma, provides an annotated bibliography of key writers in narrative in the fields of: philosophy, women and gender studies, psychotherapy and medicine, education, organization and management, economics, and most relevant to this readership, public administration.

This again is useful but hardly exhaustive and it is the studies or chapters which were meant to exemplify 'work done by evaluators at the crossroads of evaluation and narrative' (p. 6) upon which the book hinges. I say 'meant' because in a very open introduction Abma explains that as editor, she couldn't find many examples of such work and so she included people working in the area of policy analysis on the grounds that policy analysis is really just the prospective front end of a process in which evaluation was the retrospective back end. This allows a slightly wider scope than one normally associates with evaluation studies. The cultural diversity is extended further when one realizes that of the nine chapter length narrative studies reported, three are from North America, two from Denmark and Holland, with one each from England and Australia. In terms of the focus of the studies, there is little commonality with stories ranging from: flooding and dike improvement in Holland (Michel van Eeten), to Tony's tale of being a middle-ranking HRM manager under stress in the heart of England (Gold and Hamlett).

Some have clearer connections to public administration, such as the chapter by Linda Anderson about the modernization of the Danish public services. Modernization is described as a cocktail combining democratic goals of participation and influence with the economic goals of rationality and efficiency. I found this promising but was unconvinced when the cases about a youth centre and a boarding school for autistic children are interpreted via the metaphors of lost virginity and floating space.

This got me thinking about my evaluation of the book. What was each of these stories telling me and was it any use? In fact, just how telling are the tales we are told here? Is it a matter of telling tales as in made-up-fiction-of-the-useless-variety? Or are they telling tales in the sense that they convey meaning that provides cues and directions for action? That is, they are telling because they not only make meaning but they also make a difference. And this difference is not one that would have been gleaned via the natural scientific approach.

I get a clue from what I consider to be the two best narratives in this collection. The first is by Dvora Yanow and concerns images of race and ethnic identity in North America: 'to be without a race-ethnic identity is to be without identity' (p. 39) and how these map, or don't, on to the five categories given on government forms in the USA. The second is by Malone and Walker and it tells the story of a bad school in a bad area of a town in Australia which recovers its sense of identity and purpose via an educational environmental programme run by a charismatic, committed female teacher. This story is told without references to weighty philosophers and what it reminds one of, as does the Yanow tale, is that you have to be able to write well to make story telling telling.

The great thing about positivism is that you don't need style. The experiment is the thing and the writing is incidental because the real creativity is in the experiments themselves. In

story telling, style is all and if you have explained how your story works, as many of these do, then it is like telling a joke – if you have to explain it, it isn't funny. It isn't easy telling stories. That is why you don't get too many Dave Allens, Clifford Geertzs, or Jerome Bruners. That is also why some of the contributions in this book are useful fictions or narratives and others do not strike a chord with me.

Albert Camus once said on reviewing a book that if he was not already a believer in what was being said, he would convert immediately. I think I believe, but this book would not convert me if I didn't.

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CHALLENGING WOMEN. GENDER, CULTURE AND ORGANIZATION

Su Maddock

Sage Publications, 1999. 258 pp. £50.00 (hard), £17.99 (paper)

The book deals with an important subject. Where is the key to successful organizational changes as well as a reformed public sector, which can manage globalization and marketized ways of organizing the public sector, i.e. handle cutbacks, demands for efficiency and demands for new ways of managing? According to the author, the answer is challenging and creative women, whose common feature is a holistic and analytical approach to management. They are capable of engaging the staff as such in processes which improve innovation. But unfortunately, many of those challenging women in Britain, who demonstrated their capacities in local government and local organizations during the 1970s, have been squeezed out owing to the existence of cultures and narratives dominated by males. Furthermore, the British local public sector has been managed according to 'hard' values, i.e. especially economic standards, which have demoralized and stressed staff. The author therefore advocates a paradigm shift from money to people.

The book consists of ten chapters in which many subjects are touched upon, such as globalization, management innovation, management style, organizational gendered cultures, public sector reforms in Britain as such and in the NHS particularly, gender narratives, barriers to transformation, experiences of female managers and theoretical explanations of resistances towards women as well as critiques of feminist trends for neglecting women's realities. In some cases one chapter contains many different kinds of information. This could be a short theoretical overview, such as trends as well as some general views on gender aspects of, for example, organizational culture. In general it is a book which requires a reader familiar with many different aspects, or provides beginners with an overwhelming amount of knowledge.

There is a variety of analytical levels in the book, such as a global, national, societal, organizational, group and individual. There is, however, no clear distinction between the different analytical levels; also a description of the exact relations between the levels would be clarifying. One the one hand, globalization requires changes in public organizations and, on the other, individuals have a potential as change agents. This goes for the managers as well as every single member of the workforce. Changes should take place at an organizational level, where different groups of staff are represented, all in the context of British society.

The impression of the book is that the author is well-informed on a wide range of topics related to women in management, women and organizations and women in the local public sector in Britain in a global perspective. However, the composition of the book makes it difficult to get a significant picture of the coherence of all subjects dealt with, which confuses readers who are not familiar with the British essay-writing style. For example, do we hear the

voice of female managers and get a description of their capabilities of handling changes in local communities including resistance towards female innovators? There are many quotations, but no connection to the analytical categories and tools introduced earlier in the book, which would have made some of the conclusions (even) more convincing. Furthermore, it would have been helpful to have a clear distinction between normative discussions and analysis (how things ought to be), empirical discussions and analysis (how things are and can be explained) and constructive discussions and analysis (how things could be). In the book these different levels are mixed up.

The reader is left with some methodological questions unanswered. How come that the conclusions about barriers to transformation and resistance towards women are based on what occurred during the 1970s and 1980s, whereas some of the interviews seem to relate to things going on during the 1990s? Are the conditions for management, transformation and so on exactly the same irrespective of the organizations task, i.e. should changes in schools and hospitals be of the same kind?

The book's major contribution is the highlighting of three aspects. Firstly, the fact that the one-sided strategy, i.e. the domination of New Public Management in the British public sector has had its day. Secondly, the fact that a gender perspective is fruitful in discussions and implementation of necessary transformations of public organizations. The gender perspective has illuminated both problems in existing ways of organizing and managing as well as proposing new ways of managing the British public sector in a more people-friendly way. Thirdly, the fact that a more holistic approach to management which is suggested in the book implies a more holistic approach in studying management and organizational change, including a gender perspective as well.

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THE POLITICS OF HEALTH IN EUROPE

Richard Freeman

Manchester University Press, 2000. 192 pp. £40.00 (hard), £14.99 (paper)

Freeman's book is ambitious indeed, 'about', as he puts it on the first page, 'health, politics, and Europe'. The central question for the non-health care specialist is whether the focus on publicly provided health care – which is what Freeman really has in mind as against the broader topic of health – illuminates European politics in especially striking ways. For health politics scholars and students, the issue is how the book's theoretical or empirical content advances understanding of the subject.

For the non-specialist, Freeman's book is a readable, useful guide to the shape of European health care systems, their origins, major institutional features, and contemporary disputes. By contemporary, I mean over the last two decades of the twentieth century. Indeed, the focus of the empirical chapters is the disputes about 're-forming' health care that have raged since the stagflation of the 1970s in France and Germany, Italy, Sweden and Great Britain. Freeman's title might well have been the 'politics of health reform in five European States', emphasizing the pressures for change from those who use public health care, those who provide it, and those who pay for it.

The treatment of this subject is sensible, solidly documented, and very valuable for those trying to make sense of the very complicated, ever-growing arena of health care funding, delivery, and regulation. The sequence of chapters begins with an introduction to the questions and approach Freeman will take, moves to a very brief, but helpful sketch of European health care politics in the century from 1880 to 1980, and then proceeds to take up in comparative

chapters the five national health care programmes Freeman divides the substantive, descriptive chapters in two, distinguishing 'national health services' (Italy, Sweden, and the UK) from what he conventionally labels as 'social insurance systems' (France and Germany). Readers could use this dichotomy to deal with other countries of Western Europe, putting Holland and Belgium into the latter camp and Norway, perhaps, in the former one. Doing so would, however, raise the question of whether this particular classification illuminates either the political struggles over health care across Europe or whether thinking about policy arenas in terms of legal ownership/financial categories like social insurance and national health service is all that helpful in understanding what is at issue and what patterns of resolution emerge in the Europe of the late twentieth century.

The answer for this reviewer is simple. The formal designation of social insurance or national health service is but one of the potential factors shaping health care politics and deserves no particular privileged status. Freeman concedes that the distinction is 'not real' but 'makes a wealth of information more manageable' (p. x). In fact, he regards the study of particular disputes in health care as warranting different analytical approaches, 'necessarily eclectic,' as he puts the point (p. viii). So what the reader has here is an excellent sketch of European political/medical history, a well-informed summary of salient disputes in five of Europe's nations, and some interesting, but not fully developed approaches to understanding why health care matters have worked out as they have.

For scholars (and students) of comparative politics, it will be a valuable substitute for the outdated work of Odin Anderson, a useful companion to the descriptive, statistical portraits of the OECD, and a helpful companion to the many articles on particular disputes or national programmes.

What the specialist reader will find disappointing, however, follows precisely from the virtues of the book for the general reader. This is excellent synthesis of available understandings. But there is little that advances that understanding, or reveals why and how comparative analysis can make a substantial difference in either how we explain comparative policy development or inform policy disputes about health care with an understanding of the crucial political constraints that research has revealed. Freeman does make a good case for adapting theoretical approaches to the different disputes within medical care, but does not provide an especially illuminating way to conceptualize that. He suggests rightly that both for explanation and evaluation, the comparative method is as close to experimentation as social science is likely to get. But, there again, the justification of the comparative approach does not produce in practice an explanation of change and continuity that goes beyond conventional national accounts. For an innovative and comparative approach to that topic, readers should turn to Carolyn Tuohy's magisterial new book, *Accidental Logics*, (Oxford University Press, 2000), which seeks to explain the variation in rates of health policy change in Canada, the US, and UK. Freeman's contribution is no less worthy for being synthetic rather than a theory-building exercise.

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L'INVENTION DE LA BUREAUCRATIE. SERVIR L'ÉTAT EN FRANCE, EN GRANDE-BRETAGNE ET AUX ÉTATS-UNIS (XVIII^E-XX^E SIÈCLE)

Françoise Dreyfus
Editions la Découverte, 2000. 290 pp. Price not known

Dreyfus offers a very useful survey of the development of the executive in France, Britain and the United States since the eighteenth century. The introduction sets out the theoretical ori-

tation and touches base with the likes of GWF Hegel, Max Weber and Carl Friedrich. Nevertheless, Dreyfus avoids linking her work to any one particular theoretical perspective and seeks to look at the 'historical development ... to identify what might explain why, around their common features' the three countries in question 'have distinctive characteristics' (p. 14). This is followed by a chapter looking at the 'archaeology' of bureaucracy, with a brief mention of the feudal legacies in France and Britain, but concentrating on the late sixteenth century onwards.

The first substantive section, the 'era of revolutions' contains one chapter on each of the three countries. It deals with fairly familiar material – such as, in the US, the origins of the Revolution, the separation of powers, debates among the Founding Fathers; in France, the fiscal problems of the ancien régime, the Revolution and the 1791 Constitution; in Britain, a variety of issues, including the impact of the French Revolution on political debate. The second section 'contemplating the functionary class' contains three chapters looking at nineteenth century developments – the development of parliamentary government, the development of public services and the reforms of recruitment and career progression. The final section looks at how political neutrality has been handled in the twentieth century and the development of new public management.

In seeking to tell a story as big and important as the 'invention of bureaucracy' in one book one has to make choices about what to leave in and what to leave out, and these choices are bound to generate criticism. The time scale (only limited coverage of developments prior to the late eighteenth century) and the three countries chosen might not give a full account of the *invention* of bureaucracy. Prof Dreyfus' concentration on historical developments rather than abstract theory is most welcome. However, a little more use of the theoretical perspectives of other authors than is available in the introduction might have allowed her to draw more from her study than she does in her rather too brief concluding chapter. Here I have in mind the likes of Dyson, Armstrong, Eisenstadt, Pogg, Tilly and the comparative works of Herman and Samuel Finer, not to mention Otto Hintze whose 1910 comparative sociological survey of the origins and development of the public service since the Dark Ages remains to be translated into English.

Nevertheless, this book succeeds to a large extent in showing that bureaucracy can be seen as a 'mirror which reflects at each moment in its history the society which produced it' (p. 19). Chapters six through eight were particularly useful since they deal comparatively with issues which deserve more attention than they have been given in other comparative accounts – contrasting the different approaches in the three countries to recruitment, politicization and education. All in all this is a welcome addition to the literature on the development of bureaucracy.

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ARTICLES

AN EXOCET IN A RED BOX: PARLIAMENTARY ACCOUNTABILITY IN THE SANDLINE AFFAIR

CHARLES POLIDANO

In the UK, it is commonly proposed that the accountability gap resulting from ministers' reluctance to accept responsibility for departmental failures could be closed by giving parliamentary select committees stronger investigative powers. In the Sandline affair the Foreign Affairs Committee sought to take on such a role, notwithstanding that a separate external inquiry was already under way.

This paper compares the two mechanisms of accountability. It concludes that committees are poorly suited to investigate high-profile administrative failures because they are too influenced by party politics. Independent inquiries are better for the purpose (though improvements are needed here too). A parliamentary resolution gave the inquiry primacy over the committee in the Sandline case. This may become an important precedent.

In May 1997, a change of government took place in Sierra Leone. It was unexpected, unconstitutional and violent. President Ahmed Tejan Kabbah, democratically elected and in power for just over a year, was deposed by a military coup and forced into exile. Several people died in the ensuing anarchy and thousands of expatriates had to be hurriedly evacuated.

This impoverished, strife-torn West African country was no stranger to military coups. But Kabbah's election the previous year had brought with it hopes for an end to years of civil war and greater stability in western Africa. His overthrow in May 1997 caused much concern in the region and beyond. In October 1997 the UN Security Council imposed an embargo on arms exports to Sierra Leone.

In that same May of 1997, another change of government took place,

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half a world away in Britain. This one was widely anticipated and entirely constitutional. It was unmarked by violence of any kind.

It was not just the coincidence in timing that linked the two countries. Britain had been Sierra Leone's main overseas benefactor since the democratic changeover. After the coup, other West African countries looked to Britain's new government for help in mobilizing the international community against the military regime. And indeed Britain responded. It was Britain that proposed the Security Council resolution imposing an arms embargo on Sierra Leone and Britain's Foreign Office that drafted the text of the resolution.

The connection between the two countries did not end there. Other British actors were involved in Sierra Leone. One such was a rather obscure company, Sandline International, which offered 'private military services'.

In February 1998, a West African force invaded Sierra Leone to restore Kabbah to power. Shortly afterwards Sandline sent a planeful of small arms and ammunition to pro-Kabbah insurgents. The shipment arrived too late to make any difference in Sierra Leone. But it was to have plenty of impact in the UK.

Two months later, Sandline came under investigation for breaching the UN embargo. It protested that it had sent the shipment with the blessing of staff at the Foreign Office. This widened the investigation to the Foreign Office, thereby generating a political storm. Ministers immediately distanced themselves from the affair. The Foreign Office was thrown into disarray amid allegations of a cover-up, and the new Labour government found itself in the midst of its first major embarrassment since taking office. The case reopened the troublesome question of executive accountability in Britain. And herein lies our story.

This article is concerned with the Sandline affair in terms of its lessons about the mechanisms of government accountability in the UK. It is possible to see the affair in straightforward terms as yet another episode in which ministers evaded their constitutional responsibility for failures of government. But the Sandline case is more important for what it tells us about the *alternatives* to ministerial responsibility: the mechanisms which can be used to compensate for the erosion of the old constitutional doctrine.

Various authors have argued that the best way to close the accountability gap resulting from ministers' reluctance to accept the blame for mistakes is to give parliamentary select committees more investigative powers so that they can ascertain who should be held responsible for what. The Select Committee on Foreign Affairs sought to take on just such a role in the Sandline affair. This brought it into direct conflict with another, humbler instrument of accountability: an independent inquiry which had been appointed by the foreign secretary. The question that arose from this was: which instrument should have precedence?

Many would argue in favour of the select committee on constitutional grounds. In a politically fraught case such as Sandline, however, the instru-

ment of *investigatory* accountability – that tasked with unearthing the facts, establishing who did what, and deciding who was responsible – should be distanced from the push and pull of party politics. This is very difficult to achieve in the case of a select committee. External inquiries are better suited to the investigatory accountability role: providing certain procedural changes are made to safeguard their independence.

Hence I argue that independent external inquiries should take precedence over select committees as instruments of investigatory accountability. This does not exclude committees from following up an inquiry once it has come to an end: for instance, by monitoring the implementation of inquiry recommendations. Indeed, this role of *remedial* accountability is the one for which committees are best adapted, and in which they can carry out valuable work.

This view was implicitly accepted by a parliamentary resolution which gave the inquiry precedence in the Sandline affair. This resolution may serve as a precedent for future cases. If so, it would represent a significant constitutional development – one which might raise concerns that the power of Parliament to hold the government to account has been further diminished.

But if one looks beyond parliamentary mechanisms of accountability, it becomes possible to see that the Sandline resolution may actually strengthen the overall framework of government accountability. And select committees will retain an important role within that framework, the resolution notwithstanding. I take up this argument in the final part of the article.

BACKGROUND: THE ACCOUNTABILITY DEBATE

The concern about executive accountability in the UK is a longstanding one. Executive accountability has many facets (Hood *et al.* 1998; Polidano 1998). But the debate usually centres on the doctrine of individual ministerial responsibility, whereby ministers are responsible to Parliament for the actions of their departments. This is not surprising since ministerial responsibility remains the primary avenue of executive accountability in the UK.

Marshall (1989) and Woodhouse (1994) argue that ministers cannot be held personally to account for departmental actions of which they know nothing and that this should no longer be considered part of the doctrine. Most other authors accept their interpretation, even if begrudgingly. However, many still believe that the modification of the doctrine to accommodate the new understanding has gone too far. The predominant view on the doctrine as modified appears to be that it no longer provides an adequate mechanism of accountability.

Critics are particularly concerned with the government's introduction of two 'loopholes' in the doctrine during the early 1990s. The first is the policy–operations distinction whereby responsibility for the management of Next

Steps agencies is delegated to agency heads, with the minister retaining direct responsibility for policy only. The second is the distinction between ministers' *accountability* (their formal obligation to answer to Parliament for the activities of their departments) and *responsibility* (personal culpability, which extends only to their own actions). These notions, it is argued, enable ministers to evade responsibility, even for matters which should properly be laid at their door (Woodhouse 1994; Campbell and Wilson 1995; Foster and Plowden 1996; Gray and Jenkins 1997; Barberis 1998; Barker 1998).

A preoccupation with the accountability of executive agencies has taken centre stage in much of this debate (Greer 1994; Giddings 1995; O'Toole and Jordan 1995; Judge *et al.* 1997). The response to the 1995 Parkhurst prison escape by Michael Howard, the then home secretary, appeared to bear out such concerns: invoking the policy–operations distinction, he disclaimed personal responsibility and sacked the head of the prisons agency instead. But problems of accountability go beyond agencies, as the arms-to-Iraq affair of the early 1990s showed (Foster 1996; Bogdanor 1996, 1997).

In writing about ministerial responsibility it is easy to become over-preoccupied with the narrow question of ministerial resignations (those that actually happened, or those that allegedly should have happened but did not), perhaps on the grounds that this is the acid test of the doctrine. It is particularly tempting to revisit past failures of government, drawing out links – however tenuous – with various ministers and taking their unwillingness to resign as evidence of an accountability gap. But ministerial resignations are a purely political matter. Ministers will remain in office, however serious their failings, for as long as their party is willing to support them (Polidano 1999, p. 212). Nor does resignation in itself solve any problems. Even Parliament's Public Service Committee recognized that forcing ministers to resign may not be an effective way of correcting errors (Weir and Beetham 1999, p. 340).

It is more productive to focus instead on what Woodhouse (1994) calls amendatory responsibility: the obligation of ministers to take remedial action for a failure and report to Parliament on what they have done. Woodhouse's concern is that ministers are seeking to downgrade their amendatory responsibility to the level of reporting how others (who become, implicitly, responsible for the problem in their own right) are dealing with a failure – even in areas where ministers retain full constitutional responsibility. This enables ministers to distance themselves from a problem and minimize their political exposure to it.

Yet it is not enough to say that ministers should discharge their amendatory responsibility in full. After all, Michael Howard would argue that he did exactly this in dismissing the hapless director general of prisons. In theory, dismissing or otherwise disciplining officials is a legitimate way to discharge one's amendatory responsibility. But as the Parkhurst case shows, it is open to abuse and can leave plenty of unanswered questions about who was really responsible for what.

The real issue, therefore, is *how* amendatory responsibility should be discharged. Where the question of culpability for a high-profile failure is at stake, some independent mechanism with suitable investigative powers is needed to settle the matter beyond doubt, notwithstanding the minister's constitutional responsibility. What is the best mechanism for this purpose?

The weight of opinion here favours parliamentary select committees with an expanded role and greater powers (Plowden 1994; Woodhouse 1994; Theakston 1995; Bogdanor 1996, 1997; Barberis 1998; Barker 1998). Select committees in their current form are considered to be too weak. They cannot compel ministers to give evidence, nor departments to produce specific documents (Silk and Walters 1998).

The government's Osmotherly rules, under which officials testify before committees on behalf of ministers and subject to their direction, are another constraint on the power of committees. In theory, the rules do not bind committees; in practice, the government has always been able to head off any open challenge thanks to its parliamentary strength. In the Westland affair, for instance, the Defence Committee had to content itself with questioning Sir Robert Armstrong, the cabinet secretary, instead of the officials who were directly involved (Drewry 1989b; Weir and Beetham 1999, pp. 410–1).

Not everyone considers the Osmotherly rules to be such an impediment to select committees, Westland notwithstanding. Jones *et al.* (1995, p. 170) and Pyper (1996, p. 68) believe that the rules are no more than a formality in practice. In 1989 the select committee on procedure examined the impact of the rules on committee investigations and came to a broadly similar conclusion. Believing it best in this case to let sleeping dogs lie, the committee recommended no changes be made to the rules (Barberis 1996).

On the other hand Judge (1992) savages the Procedure Committee's findings, saying its supporting evidence was very selectively drawn. He is backed by Drewry (1989a, p. 389), who says the rules 'turked continuously and ominously in the background of committee activity'. In the wake of the arms-to-Iraq affair, MPs themselves revisited the issue and called for a revision of the rules. The outcome was a compromise parliamentary resolution on 19 March 1997 which reaffirmed the principle that officials give evidence on behalf of ministers, but put the onus on ministers themselves to be as open as possible with committees. Ministers could withhold information only where required by law or allowed by the code of practice on public access to information, which the government had adopted in 1994 (House of Commons 1997, cols 1046–7).

Would fuller access to information guarantee thorough and dispassionate investigations by select committees, particularly where highly political issues are concerned? Not many authors have considered this question. According to Lewis (1995, p. 210) and Pyper (1996, p. 61), committee inquiries are marked more often than not by superficiality and partisanship. Weir and Beetham say that 'MPs' questions are too often self-serving in purpose

and amateur in method', and that while committees generally succeed in maintaining consensus, they 'usually divide on a partisan basis on sensitive issues, though not necessarily destructively so' (1999, pp. 407, 409). Experience in Canada also appears to have been negative (Sutherland 1991; Sutherland and Mitchell 1997). This raises serious questions about whether the UK should go down this route (Polidano 1999).

This is precisely the issue emerging from the Sandline affair, to which we may now turn.

THE SANDLINE AFFAIR

The political storm to come was foreshadowed in early February 1998, when the Foreign Office had its attention drawn to a US newspaper report that Sandline had received \$1.5 million to supply weapons to President Kabbah. This implied a breach of the UN embargo on Sierra Leone and a UK order in council which put it into effect. The department passed on this report (an accurate one as it was to turn out) to Customs and Excise for investigation some two weeks later.

On 8 March 1998, *The Observer* ran a story titled 'Britain Holds Talks With Hired Killers'. It revealed that the British high commissioner to Sierra Leone had been in discussions with Sandline 'at a time when they [Sandline] were allegedly plotting to overthrow the country's military junta'. The Foreign Office admitted that the high commissioner had been in contact with Sandline, though it did not say about what.

On 10 March, Baroness Symons, a minister in the Foreign Office, was questioned about the *Observer* story in the Lords. She said only that it was 'not entirely accurate'. She made no mention of arms shipments or the impending Customs investigation in spite of their obvious relationship to the discussion.

On 12 March it was the turn of Tony Lloyd, another Foreign Office minister, to deal with the issue in the Commons. Lloyd denounced the article as 'ill-informed and scurrilous'. He too made no mention of arms shipments or the Customs investigation.

On 3 May, the bombshell finally burst with a front-page report in *The Sunday Times* entitled 'Cook Snared in Arms For Coup Inquiry'. The report said that the Customs investigation could 'grow into another arms-to-Iraq affair'. An unnamed Department of Trade official was quoted as saying that Robin Cook, the foreign secretary, either 'gave his blessing for the operation or he did not know what his African desk was doing'. There was no mention that the investigation had been initiated by the same African desk. This report set the tenor for the press barrage that was to follow over the coming weeks.

In response, the Foreign Office issued a statement on Cook's behalf saying that ministers had not known anything about Sandline's arms exports and that Cook had 'deep concern' about the activities of some Foreign Office staff.

A few days later Sandline's lawyers released a letter they had sent to the foreign secretary in late April protesting at the Customs investigation and making the headline-grabbing allegation that Foreign Office staff had given their blessing to the arms shipment. Cook now came to the defence of his officials. Speaking in the Commons, he denied Sandline's allegations of official complicity. He also denied another press allegation that the Foreign Office had been given prior warning about the arms shipment by the intelligence services. But the foreign secretary had to correct himself about this a week later, admitting that officials (but not ministers) had seen intelligence material on Sandline.

On 18 May, Customs and Excise concluded its investigation with a recommendation not to prosecute. The foreign secretary immediately announced that an independent inquiry would be led by Sir Thomas Legg, a former civil servant, with the assistance of Sir Robin Ibbs. This would establish whether ministers or officials knew about or approved the Sandline shipment before the case became public and hence whether they bore any responsibility for the affair.

The Legg inquiry reported in late July. It exonerated ministers. It found some fault with officials, particularly the high commissioner to Sierra Leone, but laid most of the blame on systemic deficiencies such as inadequate communications and a culture which did not accord sufficient importance to domestic political concerns:

there was no attempt to hide information from Ministers. However, officials in London should have acted sooner and more decisively than they did on the mounting evidence of an impending breach of the arms embargo, and they should have told Ministers earlier and more effectively.... The failures at official level were caused mainly by management and cultural factors, but partly by human error, largely due to overload. (Legg and Ibbs 1998, p. 3)

The report noted that officials in the Foreign Office's Africa Department (Equatorial), which dealt with Sierra Leone, had to cope with a huge workload stemming from the many recent developments in the region, coupled with staffing cuts in recent years. It therefore pleaded that they should not be judged harshly.

In the ensuing parliamentary debate, Robin Cook blamed officials' overload on Conservative cutbacks. He stated that while Legg's recommendations would be carried out, no action would be taken against officials (House of Commons 1998b, col. 20). In this way he hoped to bring the curtain down on the affair. But questions remained about what part, if any, the intelligence services had played. And the select committee on foreign affairs continued to pursue the case, bringing out a sharply critical report of its own in February 1999 (Foreign Affairs Committee 1999).

THE SELECT COMMITTEE'S INVESTIGATION

The investigations by the Foreign Affairs Committee took place against this unfolding backdrop of events. In keeping with our focus on investigatory accountability (fact-finding and apportionment of responsibility), this part of the paper concentrates on the committee's activities prior to the release of the Legg report. Six hearings in all were held over this period. First to appear before the committee, just two days after the *Sunday Times* broke the story of the Customs investigation, was Tony Lloyd, the Foreign Office minister responsible for Africa. Sir John Kerr, permanent secretary to the Foreign Office, gave evidence four times over May and June. Robin Cook appeared once, shortly before the Legg report was released.

Two main themes emerge from these hearings: the overlap between the committee's inquiry and the above-mentioned investigations, and the difficulties this posed; and the risk of a select committee being influenced by partisan political considerations in a high-profile case such as this. We can deal with each in turn.

Overlap between the committee and other investigations

The question of overlap emerged immediately. When the committee began questioning Tony Lloyd about Sandline's contacts with Foreign Office staff, he pleaded that what he said might prejudice 'a proper investigation', and instead undertook to prepare a full memorandum for the committee once the Customs investigation was over. The committee chairman, Labour MP Donald Anderson, accepted this. He sought to block further questioning by a Conservative member: 'if the Minister says that it is the subject of an inquiry and he prefers not to comment, you will have to accept that' (Foreign Affairs Committee 1998a, p. 154).

In response, however, some committee members argued that they should be allowed to put questions and it would be up to Lloyd whether to answer there and then or in the promised memorandum. In this way both investigations could proceed in tandem without risk to each other. The chairman yielded to this seductive picture of happy co-existence.

Alas, it quickly proved a mirage. Dissatisfaction mounted in the committee room as Lloyd began answering questions partially or not at all, either out of concern for the Customs investigation or simply owing to lack of knowledge. David Wilshire (Conservative) poured scorn like salt on the open wound of Lloyd's confusion: 'I am now beginning to feel rather sorry for Mr Lloyd. I think he has been hung out to dry by his officials' (*ibid.* p. 158). Surely, he added, the officials who briefed Lloyd prior to the 12 March debate would have known about the Customs investigation?

The committee had taken Lloyd into dangerous territory here. A moment more and he would have found himself having to choose between accepting the blame for misleading the House or offloading it onto his officials. No doubt seeing this, he retreated to a blanket refusal to answer any more questions on the matter.

Lloyd was able to extricate himself by not answering questions. Sir John Kerr, the permanent secretary, had no such luxury. After the Legg inquiry was set up in place of the inconclusive Customs investigation, the select committee veered back and forth between respecting Legg's terms of reference and proceeding regardless. Committee members felt that their prerogatives superseded those of a non-judicial inquiry that had no legal standing.

Kerr was repeatedly pressed on whether ministers had been briefed about the Customs investigation prior to their March parliamentary statements. When he pleaded that the inquiry precluded him from answering, he was accused of hiding behind Legg. On one occasion the chairman even had another member read out to Kerr the section of Erskine May which said that refusal to give evidence to a select committee amounted to contempt of Parliament (Foreign Affairs Committee 1998b, p. 33).

In response to such pressure Kerr set out the case for not pre-empting Legg with all the persuasiveness he could muster. His argument is worth reproducing, for it gets at the heart of the issue of overlap between the committee and the inquiry. The inquiry, he said, was taking evidence from officials in a way which safeguarded their rights and allowed them to put their side of the story. Evidence collected in any other way would be incomplete, and its disclosure unfair:

the officials who are being cross-examined, officials in London, officials in the Ministry of Defence, officials who were in West Africa, the Permanent Secretary has not cross-examined these officials. The Permanent Secretary has not looked in their cupboards, the Permanent Secretary is not allowed to do that for two reasons. One because he is the disciplinary authority of the diplomatic service and if we end up in disciplinary proceedings that is me. So I am in an American sense recused from that. Second, Sir Thomas Legg is doing that and we are not running a parallel investigation. We did not run a parallel investigation while the Customs and Excise were doing it. We are still not doing it because we would be wrong.... It is not possible for me, in fairness to officials, to give you answer based on hearsay, based on what I might have picked up in the corridor. I have not cross-examined these officials, I have not looked in their cupboards and I firmly believe I should not do so. I would have thought you, Ms Abbott, as an ex-civil servant, would understand that. (Foreign Affairs Committee 1998b, p. 78)

The committee member at whom this was directed, Labour MP Diane Abbott, was not impressed. 'That is a bravura performance, Sir John', she said, 'but we are not asking you for hearsay or anything you have picked up in the corridors, we are asking you for facts ... I put it to you that when this is all written up this will not be seen to be your finest hour' (78).

Here Abbott missed the point altogether. Twice already Kerr had been compelled to correct his evidence after the committee's dogged quest for

'facts, not hearsay' had forced him into uncertain territory. On one occasion he ventured the information that Foreign Office ministers had been briefed about the illegal arms shipment, though not prominently, prior to their parliamentary statements in March. He wrote only hours after the sitting ended to say that no such information had in fact been passed to Lloyd. The press, seeing an explosive piece of news snatched from its grasp, had to content itself with reporting Kerr's self-correction as an 'embarrassing U-turn' (*The Times* 15 May 1998).

On another occasion he was asked whether the foreign secretary had been speaking to his brief when he made his Commons statement, later corrected, that the Foreign Office had not seen any intelligence material on Sandline. Kerr suggested in reply that Cook may have been briefed to say that *ministers* had not seen any intelligence material, but during the cut-and-thrust of the debate this 'became accidentally extended to officials' (Foreign Affairs Committee 1998b, p. 51). Kerr had to correct himself in a letter the following day: the foreign secretary had not in fact had any briefing about intelligence reports.

This question was, incidentally, designed solely to put Kerr on the spot in an area outside Legg's boundaries. It was not even concerned with the substance of Cook's statement, only how it originated. It shows to what extent the committee's dispassionate quest for 'facts, not hearsay' had degenerated into an adversarial fishing expedition.

A *Times* editorial on 1 July defended the committee's right to hold an inquiry that 'complements rather than competes with' Legg. The select committee itself had raised such a possibility: it was originally willing to limit its questioning of Kerr to areas other than the arms shipment to Sierra Leone (Foreign Affairs Committee 1998b, p. 32). But when committee members realized that Legg's boundaries were broader and less easily definable in advance than they had thought, they refused to give ground.

The committee risked trampling all over the territory that Legg needed to cover. It could have produced conclusions on the basis of incomplete evidence that – quite apart from the rank unfairness to officials, who it seems are inferior beings with limited rights in the eyes of some MPs – would have run the risk of limiting Legg's ability to obtain evidence, influencing the inquiry's findings, or simply damaging public confidence in its integrity should its conclusions have been radically different from those of the committee (an issue to which we will return). It is simply not a viable proposition for a select committee to undertake an investigation in parallel with an independent inquiry.

The question thus becomes: which of the two should have precedence? This depends, or should depend, on the answer to another question: which of the two is the better instrument? The key issue here is the influence of politics.

Whose finest hour? Politics and the select committee

Tony Lloyd got off lightly before the committee by comparison to Sir John Kerr. Lloyd appeared once; Kerr was summoned repeatedly. Lloyd was allowed to avoid questions; Kerr was compelled to answer them. Lloyd had the chairman's protection; Kerr was all but threatened with prosecution for contempt. Do the political interests of the MPs on the committee explain its willingness to spare Lloyd, a minister, the embarrassments it sought to inflict on Kerr, an official? A select committee's ability to investigate dispassionately is vital to its effectiveness as an instrument of accountability. If party politics were allowed to get in the way, it would become no more than an extension to the main debating chamber.

One might argue that if MPs from the government side in a select committee have an interest in casting a protective cloak over a minister, they equally have an interest in protecting the minister's officials. In reality, however, both government and opposition MPs in a case such as Sandline have a political interest in taking their knives out for permanent officials. The interest of government MPs is to show that the mistakes which are being laid at the door of ministers are the fault of officials. The interest of opposition MPs is to trip officials up into admitting ministerial culpability, or at the least to show that ministers were not in control of their officials. The latter scenario is no different from the one preferred by government MPs, but the opposition can still extract mileage from it.

Any doubt that party politics had an influence on the Foreign Affairs Committee's treatment of Sir John Kerr should be laid to rest when one sees what direction questioning took during his final appearance on 30 June 1998. Prior to this sitting, the foreign secretary had written to the committee in support of his permanent secretary. The committee, said Robin Cook, was running an inquiry in parallel to Legg, and this was unreasonable and unfair to officials. He added:

There was no ministerial conspiracy to breach the arms embargo. There was no connivance within Whitehall to breach the arms embargo. ... If the Select Committee wishes to persist in putting questions on these matters, they must put them directly to myself as head of the FCO and not to officials who are accountable to me. (Foreign Affairs Committee 1998b)

Ironically, it was this very letter that enabled the committee to put Kerr through some of his most difficult moments. When Kerr once again set out the arguments against prejudging the Legg inquiry, Liberal MP David Heath sprung a trap: is the foreign secretary himself not prejudging the inquiry when he denies any connivance in the breaching of the embargo?

Kerr did his best to dodge this torpedo. But Sir Peter Emery (Conservative) intervened to steer it home, brushing aside even fellow committee members in his determination to do so. The exchange that followed, reproduced below with minor excisions for brevity's sake, could have come straight out of a *Yes Minister* script:

470. [Emery asks:] ... Is it not a very strange situation that if I were to come towards you and say, 'There is no connivance within Whitehall about a breach of the arms embargo', would you not say I am prejudicing the report of the Legg Inquiry?

(*Sir John Kerr*) ... I think what the Foreign Secretary has expressed as his view there is a view he has already expressed to the House.

... 472. May I therefore put again the question which I put, that if I came before Sir John and said that there was no connivance within Whitehall to a breach of the arms embargo –

(*Sir John Kerr*) I would be astonished if you did.

473. – would I not be prejudging the report of the Legg inquiry. Not funny. Would I not be prejudging that?

... (*Sir John Kerr*) Sorry, I am not going to conduct an exegesis of the Foreign Secretary's letter, Sir Peter. The Chairman has said a matter of a moment ago that he intends to ask the Foreign Secretary about it.

Sir Peter Emery: I am not talking about the Foreign Secretary's letter. I am saying to you, Sir John, that if I came to you and said that I believed there had been no connivance within Whitehall to breach the arms embargo, would I not be making a judgement prior to the Legg Inquiry?

... (*Sir John Kerr*) I would be delighted to see you at any time, Sir Peter, whenever you would ring me.

476. You are being entirely clever. I am asking you a very simple question. If I came to you and said that to you, would I not be prejudging the Legg Inquiry?

(*Sir John Kerr*) I think there may be a difference here, Sir Peter, between prejudging and prejudicing. The Government's position is that it is very concerned not to disclose information which might prejudice the Legg Inquiry. You are saying the Foreign Secretary is, in your view, jumping to a conclusion. That is your view. You are entitled to take that view, if that is your view. But the Foreign Secretary is not thereby prejudicing the Legg Inquiry. I do not see how you could sustain the argument that he was.

Sir Peter Emery: May I put it, then, for the third or fourth time.

Chairman: The final time, I hope.

Sir Peter Emery

477. Perhaps I could actually have an answer from you. If I came before you and in fact made that statement that I will not repeat, would it not be seen that I was prejudging but not prejudicing the report of the Legg Inquiry, yes or no, please?

(*Sir John Kerr*) You would be expressing your view, Sir Peter, and I would always be interested to hear your view.

Chairman: I would like to make progress. Sir John Stanley.

Sir Peter Emery

478. What you are saying, Sir John, is that I would be prejudging it, and yet you dare not admit that?

(*Sir John Kerr*) I am saying that there is no question that that sentence in the Foreign Secretary's letter has in any way prejudiced the Legg Inquiry. That is what I am saying.

Sir Peter Emery: It has prejudged it.

Chairman: Let us make progress. Sir John Stanley was continuing his own questioning. Thank you, Sir John. (Foreign Affairs Committee 1998b, pp. 79–80)

Kerr's distinction between prejudging and prejudicing may go down as a classic of mandarin-speak, the bureaucratic equivalent of a Houdini escape trick. But that is not the point. The point is that, once again, the committee sought to put Kerr on the spot for no reason other than to extract the maximum embarrassment potential. If Kerr had given Emery the answer that he wanted, and that he eventually supplied for himself in frustration, it could have made front-page news: 'Cook Prejudged Inquiry, Says Top Official'. A supposedly bipartisan select committee was asking a nakedly political question to a permanent official with the aim of making him a pawn in a partisan game.

The principle of official anonymity has been greatly eroded in recent years. But as this instance clearly shows, its core element – that officials should not become performers on a party political stage – remains as relevant today as it ever was. There is a line in questioning beyond which select committees should not take permanent officials. The Osmotherly rules retain a rationale, even if Kerr did not cite them on this particular occasion (although he did at other times). They are civil servants' only defence against the forcible divestiture of their political neutrality before a committee.

In fairness, Labour members Norman Godman and Ernie Ross did intervene in support of Sir John Kerr on three occasions (Foreign Affairs Committee 1998b, pp. 14, 69, 75). Ross actually brought Kerr's third appearance to an inconclusive halt when he objected to a line of questioning taken by a Conservative member. Yet even they played this part much more zealously and effectively with regard to the foreign secretary – to the point where it became a blatant effort to shield him from scrutiny, as we shall see next. And the members of the Labour side as a whole, particularly the chairman, were quite willing to channel their zeal in holding the executive to account almost exclusively towards Kerr.

The committee picked up the gauntlet cast by the foreign secretary on 16 July. The session had to be short, an hour and a quarter, since Robin Cook was pressed for time. The chairman first called Norman Godman and Ernie Ross, who spent precious time on the subject of *the Foreign Office's budget*. 'I apologise to you, Foreign Secretary', Ross unashamedly prefaced

his questions, 'I know you are anxious to get on to the main business this morning' (Foreign Affairs Committee 1998b, p. 92).

When the session finally turned to Sierra Leone, Ross objected to a question by Conservative member Sir John Stanley. The committee had to go into private session to resolve the disagreement, taking up a further 15 minutes. This occasioned the following exchange among three opposition members:

Mr Wilshire: Another crude attempt to gag public discussion.

Sir Peter Emery: To gag the Committee by the Labour Party.

Mr Heath: The Foreign Secretary looks happy. (Foreign Affairs Committee 1998b, p. 95)

It is certainly hard not to believe that the Labour side was out to protect Cook against the sort of arduous questioning that Kerr had been put through. A press columnist wrote afterwards that 'Mr Cook had no difficulty in speaking at length about nothing in particular and spinning out the time' (Brown 1998, p. 8). It is not an unfair summary of the session. Wilshire did put Emery's question about 'prejudging' to Cook, but it had all the impact of a damp squib – as was perhaps to be expected, given that it was never more than a point of rhetoric.

Political divisions within the committee showed up on other occasions too. When it demanded to see Foreign Office telegrams on Sierra Leone, the foreign secretary refused on account of Legg. The committee reported this to the House – the only course of action open to it – over the objections of most of its Labour members (Foreign Affairs Committee 1998c, 1998d).

The resulting House debate was full of talk about the value of bipartisanship in committees and denials that anyone involved in this case was acting for party benefit. Ernie Ross, one of the objectors in committee, cut right through the verbiage: 'Party politics are being played one way or the other, and we are all trying to cover that up with great concern for the work of Select Committees. We are playing party politics' (House of Commons 1998a, col. 909).

He should have known. He was one of the major players.

The House resolution, and the select committee's report

The Commons debate about the disputed telegrams took place on 7 July 1998. Here the committee won the battle but lost the war. It gained access to the telegrams, but the House passed a motion effectively muzzling it until the Legg inquiry was over. The House motion read as follows:

this House reaffirms that, in accordance with the House's Resolution of 19th March 1997 and the Code of Practice on Access to Information (Second Edition, January 1997), Ministers should be as open as possible with Parliament; recalls that the House approved on 18th May 1998 the Government's commitment to an urgent outside investigation and publi-

cation of a full report of the Sierra Leone arms investigation; believes that *nothing should be done to prejudice the conduct of that inquiry by premature public disclosure of parts of the evidence*; and notes that the Foreign Secretary remains ready to make available to the Foreign Affairs Committee, *on a confidential basis*, the telegrams it has requested. (House of Commons 1998a, cols 961–2, emphasis added)

The story did not end there. When the Legg inquiry finished its work in late July, the way was clear for the Foreign Affairs Committee to resume its own hearings. It held a number of sessions involving Robin Cook, Sir John Kerr, other Foreign Office officials, the chief of defence intelligence and the head of Sandline itself. Its attempt to interview the head of the Secret Intelligence Service was, however, blocked by the foreign secretary.

All this culminated in a final report in February 1999 which was highly critical of the Foreign Office. It spoke of an ‘unprofessional’ approach that displayed ‘serious shortcomings’ on the part of the Foreign Office staff involved in the case. The failure of officials, Kerr included, to pass crucial papers to ministers revealed ‘at best political naivete, and at worst a *Yes Minister*-like contempt for civil servants’ duties towards their Ministers’. The report pinned overall responsibility for the failures unambiguously on Kerr: he had ‘failed in his duty to Ministers’ (Foreign Affairs Committee 1999, paras 49, 58, 70, 71).

There was a curious postscript to the affair. It emerged that a draft of the report had been leaked to the Foreign Office a few days before publication. Ernie Ross owned up to being the culprit and resigned from the select committee, earning himself the title ‘foreign secretary’s poodle’ from an irate *Times* (25 February 1999). The foreign secretary also came under fire, particularly when he admitted to having received two unrelated draft reports by the committee (*The Independent* 5 March 1999).

INQUIRIES AND SELECT COMMITTEES COMPARED

Let us sum up the argument so far. First of all, there cannot be two instruments of investigatory accountability (fact-finding and apportionment of blame) for failures of government. A select committee and an independent inquiry would inevitably get in each other’s way if they sought to look into the same matter simultaneously. This would happen even if an attempt were made to delineate separate territory for each. The boundaries would prove both too indistinct and too flimsy.

A choice therefore has to be made between the two. The evidence we have reviewed so far suggests that the select committee is an instrument that is poorly suited for the task. In a political arena such as Parliament, the allocation of blame for failures of government is fully subject to the strong currents and counter-currents of party competition. These currents will exert their pull even in the relative seclusion of the committee room. The higher the profile of the case at hand, the greater their force.

The influence of politics

But before we come to any conclusions, we should subject the inquiry to the same test. How 'political' are inquiries? This issue needs consideration because of the risk that a government might use a supposedly independent inquiry as a cover-up to escape blame for a failure. After all, a cynic might say, no inquiry in recent years – if ever – has laid responsibility for a failure of government squarely on the shoulders of a minister.

Moreover, questions have been raised over inquiries in the past. The Franks inquiry into the Falklands war, for example, was widely dismissed as a 'whitewash' when it concluded in 1983 that the government could not have anticipated the Argentine invasion (Smith and Young 1996, p. 30). The Tumim report on the Brixton prison escape of 1991 largely exonerated the then home secretary, Kenneth Clarke; yet new evidence which subsequently emerged seemed to implicate him (Woodhouse 1994). Sir John Learmont's report on the 1995 Parkhurst escape has also been questioned, most notably by the Conservative MP Ann Widdecombe. Even Sir Richard Scott's report on the arms-to-Iraq affair generated controversy, Bogdanor among others (1996, 1997) asking how it could be that improprieties were committed yet no one paid a penalty.

Questions might also be raised concerning the Legg inquiry. Legg was far more circumspect in his conclusions than the Foreign Affairs Committee, even though both reports were based on essentially the same body of evidence. Might this not be taken as a sign of bias on Legg's part? There are instances in his report of witnesses giving conflicting testimony or suffering from suspiciously convenient lapses of memory. Legg accepts these more or less equanimously, passing them over without probing further. And after his report was published, it was suggested that links between the intelligence services, the army and Sandline might have played a part in the affair (*The Independent* 5 October 1998). Yet Legg gave the intelligence services a clean bill of health.

The committee certainly seemed to think something was amiss, judging by a strange sideswipe it took at Legg in its own report: 'It is important not to be mesmerised by the Legg report: theirs is not necessarily the last word in this affair' (Foreign Affairs Committee 1999, para. 10). We may also note that the appointment of Sir Thomas Legg and his co-inquirer, Sir Robin Ibbs, was entirely at the discretion of the government – just as with most previous inquiries.

There are various points to be made in reply to all this. First of all, the reason why no inquiry has pointed a finger clearly at ministers may be that governments have only set up inquiries when they felt they were in the clear. They may have preferred simply to sit out the storm when the facts were less in their favour. This does, however, raise the issue of when an independent mechanism of accountability should come into play, an issue I shall deal with later on.

Secondly, inquiries may generate controversy simply because their con-

clusions fall short of outside observers' expectations. This is not surprising. An inquiry's detailed scrutiny of the circumstances surrounding a failure is likely to throw up several factors which may mitigate the blame of those responsible. Outsiders, unfamiliar with the true situation and always ready to believe the worst where failures of government are concerned, are less likely to appreciate these mitigating factors.

Press coverage may stoke this tendency. Elsewhere I have pointed to some positive aspects of press reporting on the Sandline affair (Polidano 2000). But the most cursory survey of it also reveals a great deal of chaff in the form of speculation, supposition and reported hearsay along with the wheat of hard factual coverage. Vital though the media are as a mechanism of government accountability in their own right, media coverage of such cases represents a double-edged sword.

In the early stages of the affair, for instance, much was made of Robin Cook's alleged aversion to paperwork. There was plenty of speculation that notwithstanding his claims to have known nothing about Sandline, officials had put a briefing about the affair in one of his red boxes yet he had not read it. This all turned out to be groundless. Yet a great many readers would have come away with the impression that the government was hiding something. In such circumstances, any report that does not unequivocally and unreservedly blame ministers may be dismissed as a cover-up.

In short, plenty of people will want to disagree with an inquiry report. And they will find plenty of scope for disagreement. For any inquiry, no matter how dispassionate its analysis and how thorough its grasp of the facts, ventures onto a shifting quicksand of subjectivity when it comes to deciding who was responsible for what and how much they should be held to blame. Secondary influences have to be weighed against primary ones; mitigating factors have to be assessed for importance. What is obvious common sense to one person may be a benefit-of-hindsight judgement to another. One person's pragmatism is another's betrayal of basic principles. An inquiry need scarcely be biased to stimulate controversy on such grounds.

There is no better example of this than the Scott report on the arms-to-Iraq affair. Few would seriously question Scott's integrity: as a judge, he was chosen precisely to put the inquiry beyond the reach of accusations on this count (Smith and Young 1996, p. 177). Scott was given 'unprecedented and unqualified' access to papers, and the uncompromising thoroughness of his investigation was clearly evident (Weir and Beetham 1999, p. 413). Yet his findings, as discussed above, still became mired in controversy.

The inevitable subjectivity and the likelihood of controversy make it all the *more* important that the inquiring mechanism is seen to be above party politics. Whatever the doubts about past cases, it is much easier to achieve this with an inquiry than with a select committee investigation. Two prerequisites, both explored below, would need to be met where inquiries are concerned.

First of all, the inquiry must be external rather than internal to government. An internal investigation mounted by the cabinet secretary or other serving officials would be useless for the kind of controversial, highly public failures we are considering here, even though this mechanism was adopted in the Westland affair among others. Its inadequacy is obvious: it would place the inquiring official in a potentially severe conflict of interest and diminish the credibility of his or her findings. An official who did unearth evidence of ministerial negligence or wrongdoing might have to choose between telling the truth and keeping his or her job.

It is worth noting that the Legg inquiry counts as external by this definition, notwithstanding that the Foreign Affairs Committee chose (in another side-swipe) to label it 'a whistled-up departmental inquiry' (Foreign Affairs Committee 1999, para. 101).

Secondly, it needs to be made clear that the inquirer is not being hand-picked for his or her sympathies towards the government. Appointing a judge is one way of achieving this; but regular reliance on judges would not be practical. An alternative would be to seek bipartisan support for the appointment, as was done in the case of the Franks inquiry on the Falklands. Again I would emphasize that this would by no means ensure universal agreement for the inquiry's findings. But it would generate more public confidence in the process and make charges of deliberate bias harder to sustain.

By contrast, distancing a select committee investigation from politics would be all but impossible. Committees are part and parcel of the political milieu of Parliament. Lest the reader think that the Sandline affair was a special case, there are other instances of select committees falling prey to political pressures. Conservative MPs' party loyalties prevented the respective committees from investigating the Westland and arms-to-Iraq affairs with any rigour. In 1991 the chairman of the Public Accounts Committee suppressed a National Audit Office report on a UK-Saudi Arabia arms deal which allegedly involved £300 million in secret commissions, because it might have jeopardized the contract (Weir and Beetham 1999, pp. 410–13, 422). Committee memberships have been manipulated by party whips to sideline undesirable candidates (Woodhouse 1994).

Probably the most spectacular case of bias in a select committee is that of the Agriculture Committee's investigation of the BSE or mad cow disease in 1990. The committee concluded that existing precautions were sufficient and beef was safe to eat. Of course, as BSE started claiming human lives, this turned out to be woefully wrong. The committee's judgement proved as flawed as that of the government. There is no doubting the determining influence of politics in this case: nine out of eleven committee members came from rural constituencies (Weir and Beetham 1999, p. 414). If there are *suspicions* about the impartiality of inquiries under current practices, there is damning and incontrovertible *proof* of its absence in the case of select committees.

Reaching the parts a committee cannot: logistical constraints

That is not all. Select committees are hampered in their ability to act as instruments of investigatory accountability by simple logistics. The mechanics of questioning, whereby every member has his or her turn, makes it difficult for a committee to pursue matters systematically. A promising line of questioning can be prematurely abandoned as one MP yields to another (Weir and Beetham 1999, p. 417). Landers (1999) describes how this factor among others prevented the Public Accounts Committee from getting to the bottom of cost-control problems at the Prison Service.

Matters are made worse by the fact that committees can rarely meet more than once a week. This makes it very hard for a committee to investigate an issue of any complexity with sufficient thoroughness. The arms-to-Iraq affair, for example, took up no less than half the time available to the Trade and Industry Committee. Yet the committee still had to concentrate on one particular aspect of the case, the attempt to export barrel parts for Iraq's 'supergun', and it was still unable to get to the bottom of the matter (Weir and Beetham 1999, p. 418). The comparative advantage of a dedicated, full-time inquiry such as Scott is obvious.

Logistical constraints also applied in the Sandline case. The Legg inquiry lasted ten weeks. During that time the Foreign Affairs Committee held all of four hearings. Had the inquiry been entrusted to the committee it would have taken far longer – even though the committee itself insisted that Legg should report before Parliament rose for its summer recess. Alternatively, the committee's inquiry could have been a superficial exercise producing simplistic conclusions.

Appreciating administrative realities

The risk of superficiality was not small, judging by the artificially clear-cut approach to accountability which the Foreign Affairs Committee took in its questioning. In Sir Peter Emery's words:

I find it nearly unbelievable that something of that nature [information about the Customs investigation], which was brought about on 18 February, is supposedly not seen by the Foreign Secretary until the end of April or the beginning of May.... It was an Exocet in a Red Box. (House of Commons 1998a, col. 905)

As this quote indicates, and as is clear from the hearings, at least some committee members saw the affair as an open-and-shut case in which the only real question was whether officials or ministers were to blame. And the answer to this depended on whether or not an unexploded Exocet was lodged below the Foreign Office's waterline.

In contrast, the picture presented by Legg is far less clear-cut. The brief prepared for Lady Symons prior to her March 1998 statement in the Lords *did* say that the allegations about Sandline had been passed to 'the appropriate authorities'. But other references to the arms shipment – four in all,

scattered over 59 pages of text – could have been taken as contradicting this. The desk officer who prepared the brief did so at short notice on top of a huge workload generated by the fast-changing situation in Sierra Leone. Kabbah was restored to power on the very day that Symons spoke (Legg and Ibbs 1998, pp. 89–91).

The committee does acknowledge such mitigating factors in its own report. But it is far less willing to give them weight. For example, it says of officials' high workload that 'we suspect that there may be a culture in the [Foreign Office] of clocking up hours to impress managers' (Foreign Affairs Committee 1999, para. 86). This piece of unabashed speculation is backed by an out-of-context quotation of the words of the foreign secretary. The committee also links the workload to the department's lengthy chain of command (para. 87). This is bizarre – surely fewer people in the chain of command would mean *more* work for those left!

In reality, the whole affair can be summarized as a succession of errors of communication or interpretation, many (though certainly not all) excusable in the circumstances, which cumulatively resulted in a failure to anticipate events or react to them promptly. It is difficult, realistically, to hold any single individual responsible for the entire failure, or enough of it to justify disciplinary action. This is by no means an unusual outcome in such cases (Stone 1995; Polidano 1999). But a select committee working in a highly politicized environment will find it difficult to take account of such nuances. Hence the tendency to seek to apportion blame in absolute terms with the benefit of hindsight.

Granted, one can argue that Sir John Kerr, or Robin Cook himself (by virtue of his headship of the department), was ultimately responsible for the affair. Gregory (1998) would make such a case even if nothing Kerr or Cook did or neglected to do contributed to the failure. And if one looks hard enough, one *can* find instances where high-level decisions played a part – for instance, the quiet extension of the Sierra Leone arms embargo to pro-Kabbah forces as well as the military regime (which is why Sandline's shipment was unlawful in the first place).

But Gregory's approach would turn the headship of any government department into a game of Russian roulette. And even when one finds identifiable fault at the top, one has to keep a sense of proportion and ask what contribution it made to the overall failure. There is a difference between direct and indirect causes, and efforts to hold individuals accountable for the latter can be taken too far. In the words of one West African writer, 'If you want to get at the root cause of murder ... you have to look for the blacksmith who made the matchet' (Achebe 1988, p. 159).

The Foreign Affairs Committee's unwillingness to appreciate this may well account for much of the difference between its conclusions and those of Legg. It is not going too far to suggest that the committee was also influenced by the animosity it displayed towards Kerr and Legg himself. Certainly, any mechanism of scrutiny should not open itself to such doubts on

account of its conduct. The committee has no one but itself to blame on this count.

As for our potential grounds for doubt about the Legg report itself, admittedly the issue of involvement by the intelligence services has to remain open since the government prevented the committee from investigating it. Yet it is worth noting that nothing of significance emerged from the evidence given by the chief of defence intelligence. And for what it is worth, the Intelligence and Security Committee (1999), a body of MPs which reports to the government rather than to Parliament, gave the intelligence services a clean bill of health in connection with the Sandline affair.

Finally, the Foreign Affairs Committee proved no better able than Legg to resolve conflicts of testimony, for all that it tried. All it achieved was to lose itself in a maze of speculation (see Foreign Affairs Committee 1999, paras 35–6).

In short, select committees are poor mechanisms of investigatory accountability owing to their vulnerability to the pressures and incentives of party competition; the logistical difficulties they would face in conducting thorough investigations; and their lack of awareness of administrative realities. Independent inquiries are superior on all these counts, particularly if procedural changes are made to strengthen public confidence in their political impartiality.

How generalized a rule is this? I do not wish to give the impression that select committees always place partisan issues uppermost, or that MPs from the government side would never dare embarrass ministers. More often than not, committees succeed in operating consensually. But the various cases we have referred to here are clear evidence that the behaviour of the Foreign Affairs Committee in the Sandline affair is not a one-off occurrence. Indeed, it has been noted before that select committees are less able to maintain consensus on politically controversial issues (Norton 1998, p. 150; Weir and Beetham 1999, p. 407).

It is fair to say that the higher the political stakes, the harder it would be for a committee to deal with an issue dispassionately. The more complex an issue, the greater the difficulty in investigating it thoroughly within a reasonable period of time. The problem is that failures of government such as Sandline are likely to be both politicized and complex. Hence the need to institutionalize the role of external inquiries as the primary mechanism of investigatory accountability. As we will see below, this may indeed be the ultimate outcome of the House of Commons 7 July 1998 resolution giving Legg primacy over the Foreign Affairs Committee.

EVOLVING CONVENTIONS OF ACCOUNTABILITY: THE FUTURE PRIMACY OF INQUIRIES?

It is fascinating to note that the Foreign Affairs Committee makes no direct reference to the Commons resolution of 7 July 1998 in its report. The committee says only that the House 'debated a motion' which 'demonstrated

the context of intense partisan debate inside and outside the House in which the Committee's deliberations were conducted' (Foreign Affairs Committee 1999, para. 7).

Partisanship was undoubtedly a factor behind the resolution. It passed 339 to 173, and the MPs who voted in favour may have had no higher goal in mind than saving the government from potential embarrassment. But the same can be said of most House decisions. Having fought its battle with the Foreign Office in the name of parliamentary supremacy, the committee seems unwilling to submit to the same principle itself.

For all that the committee tries to pretend the resolution does not exist, it obliquely expresses a concern that a precedent might be set (para. 101). Is the resolution likely to have this effect, even though it is worded specifically with reference to the Sandline case? It is too early to tell with any certainty. But it is worth noting that the resolution is founded on generally applicable provisions, particularly the code of practice on access to government information.

As we saw earlier, the code came to govern the release of information to Parliament as well as to the public by virtue of a previous House resolution in March 1997. The new 7 July 1998 resolution relies on this, coupled with a provision in the code precluding disclosure of information which could prejudice 'the proceedings of any tribunal, public inquiry or other formal investigations' (Cabinet Office 1997, part II, para. 4(a); House of Commons 1998a, col. 872).

The code is, of course, due to be replaced by a freedom of information act. The act would steal the ground from under the resolution if it did not contain an exclusion similar to that quoted above. Such an exclusion is present in the freedom of information bill as introduced in the Lords in April 2000 following passage in the Commons (House of Lords 2000, sections 28(2) and 29(2)(b)). At the time of final revision of this article (July 2000), the bill has yet to enter the committee stage in the Lords and there is no way of telling what amendments will be made. But it seems doubtful that the same government which invoked the exclusion would be prepared to dispense with it.

Unless new legislation were to bring about drastic change, there is at least the potential for the 7 July 1998 parliamentary resolution to establish the principle that an independent external inquiry, when appointed, takes precedence over a select committee in investigating a failure of government. This would point the way towards acceptance of inquiries as the chief mechanism of investigatory accountability in such cases.

Parliamentary supremacy and the primacy of inquiries

Those who are preoccupied with the balance of power between Parliament and government may not view the primacy of inquiries in such a positive light. There is a long-standing concern about the sufficiency of constitutional checks and balances on executive action in the UK (see Bogdanor

1997; Weir and Beetham 1999). Since inquiries are appointed by the government, their potential primacy over select committees could easily be seen as a further tilt of the balance in its favour. There are a number of points to be made in response to this.

First of all, executive accountability should not be viewed as a zero-sum contest between Parliament and government. Other actors are also important. One such would be the external inquiry, which can investigate serious failures of government far more effectively than can a select committee. Such are the comparative advantages of this instrument that if select committees make sufficient way to allow it to function, the result would be a net gain for executive accountability.

Furthermore, the primacy of inquiries would not mean a permanent reduction in the powers of select committees. The investigation of high-profile failures of government such as Sandline is only a small part of their role: most of their existing realm of activity would remain theirs to roam in at will. Even where high-profile failures are concerned, committees would only face restrictions if an inquiry were to be appointed – and then only while the inquiry was in operation. Once the inquiry reports, the bonds automatically dissolve. It is also worth emphasizing that this protocol applies to external as opposed to internal inquiries. The latter are not covered by the House resolution.

Indeed, it may be wrong to see select committees as playing second fiddle to external inquiries even after the changes that are envisaged here. We are moving into speculative territory; but it is possible to see that with their power to hold hearings on an issue after an inquiry has reported, committees have the potential to develop into a higher-level safeguard on inquiries themselves – combining with the latter in a mutually reinforcing system of checks and balances on the executive. There are three ways in which committees could exercise such a role.

First of all, committees could help ensure that inquiries are appointed when they are most needed, as opposed to when it suits the government. Earlier in this discussion we noted the possibility that governments only appoint independent external inquiries when they feel confident that their version of events will be borne out. This would obviously limit the value of inquiries as an avenue of accountability. To see how select committees could help prevent this from happening, we should ask what options a government would have if it were faced with a public outcry over a serious failure but chose not to appoint an external inquiry.

One option would be to appoint a permanent official to carry out an internal inquiry, as was done in the Westland case. We have already seen the drawbacks of this approach. But if external inquiries became widely accepted as a primary instrument in the toolkit of executive accountability, that in itself would make an internal inquiry less viable. It would seem an inadequate substitute for the real thing, a clear indication that the government had something to hide. Moreover, there would be nothing to preclude

a select committee from mounting its own investigation concurrently with an internal inquiry.

The government's other option would be to do nothing – to batten down the hatches and sit out the political storm, hoping it would eventually spend itself without causing lasting damage. But this may be politically untenable in the case of a serious failure. And again there would be nothing to stop a select committee from mounting its own investigation. Ultimately, the government would have to choose between appointing an external inquiry on a proper footing or facing the music of the select committee.

Put this starkly, the choice becomes straightforward from the government's point of view. The select committee could give the opposition a bandwagon to jump on, and it might do its best to find someone to blame. The government would, in other words, have an incentive to use an inquiry to forestall a committee. *But this is no bad thing, provided the inquiry is a serious one.* It would yield a better outcome than a select committee investigation on its own. A committee's very disadvantages in the investigatory accountability role could lend it leverage as a safeguarding mechanism to ensure that the government does not unduly exploit its discretion over the appointment of external inquiries.

The second aspect of select committees' potential safeguarding role is that of testing the veracity of the inquiry's findings against the documentary evidence on which they are based. Committees could, in short, help *keep* inquiries serious. A committee's ability to carry out this role would be strengthened if it were given access to all the documentation seen by the inquiry. The Foreign Affairs Committee was granted this facility in relation to Legg (Foreign Affairs Committee 1998e). This is another precedent that deserves to be followed: it could become an integral part of the post-7 July 1998 settlement, if such a settlement indeed emerges.

Thirdly and finally, committees could monitor the implementation of the inquiry's recommendations and ensure that they are not simply forgotten once the tumult dies down. If external inquiries are superior to select committees as instruments of investigatory accountability, at least in high-profile cases, there is no substitute for committees in the remedial accountability role. The most important thing about a failure of government is that it should be corrected, or in Woodhouse's terms that the minister should fulfil his or her amendatory responsibility. Currently, no mechanism of accountability is concerned with ensuring that this happens. Here is an important gap which select committees could very profitably fill.

This potential interdependence between external inquiries and select committees raises questions about the possibility of conflict. There remains the risk of a select committee, in its watchdog role, second-guessing an inquiry, as happened in the Sandline case. As we have seen, there will always be plenty of scope for second-guessing given the inevitable subjectivity of any inquiry's conclusions. But this would make the practice all

the more unproductive. Regular open disagreements between inquiries and committees could only undermine the credibility of both.

Ideally, a select committee should be concerned primarily to satisfy itself that the factual basis to an inquiry's findings are solid. If the Sandline arrangement does become the generally accepted pattern there would be less risk of antagonism emerging between committees and inquiries, so it is likely that committees would become more willing to use their watchdog role productively. But this would be on a voluntary basis. A committee would always have the facility to diverge from an inquiry's findings if it entertained serious doubts about them.

The Sandline affair cast the independent inquiry and the select committee as antagonists. In time it may become evident that there is nothing preordained about this. These two mechanisms of accountability can be highly complementary to one another.

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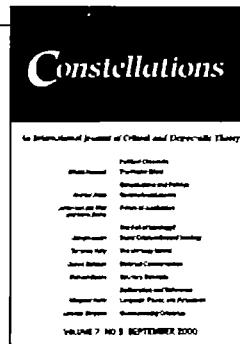
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THE LOST LEGITIMACY: PROPERTY, BUSINESS POWER AND THE CONSTITUTION

MICHAEL MORAN

After nearly a quarter of a century of business friendly government in Britain, the business community nevertheless finds itself more unpopular than for three decades and is increasingly beset by demands for regulation. The sources of its problems lie in the regulatory structures historically created for the business community. These structures have been unable to cope with regulation in the world of large-scale privatization, global economic competition and the demands of democratic politics for public accountability. Business is therefore struggling to create new sources of legitimacy.

We live under a system of tacit understandings. But the understandings themselves are not always understood.

(Lowe, 1911, p. 12)

THE PUZZLE OF BUSINESS POWER

This paper is designed to unravel a puzzle. The puzzle can be simply stated. How can we reconcile two apparently contradictory features of business regulation in Britain: the fact that on the one hand public policy has since the late 1970s been designed to strengthen private enterprise; and the fact, on the other, that private enterprise at the start of the millennium finds itself more unpopular than for three decades and increasingly beset with pressures for more regulation?

In trying to solve the puzzle I organize the paper as follows. I begin by showing that the puzzle does indeed exist, and explain why it should interest anyone concerned with studying the constitution in Britain. I argue that the root of the problem for business lies in the systems of regulation historically developed in Britain; demonstrate what these were, in respect of company law and schemes of self-regulation; go on to show how traditional regulatory structures could not cope with the conditions created by the changes of the last two decades; and end by arguing that this has created serious difficulties in legitimizing business as a system of power.

CONTRADICTIONS OF BUSINESS POWER

For over two decades, governments in Britain have been committed to strengthening private enterprise. Since at least the return of Mrs Thatcher's

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first administration in 1979, public policy has been biased towards fostering free markets, widening managerial authority and increasing the rewards to those successful in private enterprise. These policies are well documented. They include the lifting of price and entry controls in a wide range of financial markets and utilities markets (Baldwin 1995; Baldwin and Cave 1999); reforms in trade union law designed, successfully, to strengthen the hands of employers in labour markets (Marsh 1992); and changes in taxation regimes designed significantly to cut the tax burden on the best paid in business (Chapman and Temple 1998, pp. 309–15). The return of a Labour government in 1997 did not greatly alter these priorities: Labour's re-creation of itself after the electoral disasters of the 1980s was designed to remake it as a business-friendly party (Moran and Alexander 2000).

The results of this persistent bias in public policy are obvious. Business in Britain now enjoys a stronger position than at any time in living memory. All the major political parties argue that free markets and private enterprise are the keys to a successful economy. Critics of the market – whether of the left or the traditionalist right – have been marginalized both in the Labour and the Conservative Parties. A combination of changes in employment law, reforms in trade union law and structural changes in markets, mean that British labour markets are now highly 'flexible' by the standards of our major European competitors – which is to say that managers have much greater freedom in Britain to hire, deploy and fire labour. And the combination of changes in tax regimes and the rewards to the successful accruing from freer markets means that those successful in business now enjoy fabulous rewards.

In short, business values look uniquely hegemonic. Yet there is also compelling evidence that business in Britain is struggling to create a legitimate foundation for these expanded privileges. 'Legitimacy' can mean different things, but at base it has something to do with public approval: if public support for an institution declines we can reasonably speak of a legitimacy problem. That is exactly what has happened to business in Britain over the last two decades. Our best evidence of the trajectory of public opinion comes from polling data. The figures must be interpreted with care, since public responses can vary greatly depending on the moment of a particular survey or even the phrasing of a particular question. But the weight of evidence that there has been a long-term decline in support for, and approval of, business is consistent enough to override these cautions. For 30 years MORI has periodically asked a sample of the population the same question gauged to measure a key attitude to business – approval or otherwise of its right to make profits: 'Do you agree with the statement that the profits of large British companies help make things better for everyone who buys their goods or services?' In 1999 those responding 'yes' (25 per cent) reached a 30-year low. More striking still, the proportions of favourable respondents were persistently higher in the surveys of the 1970s than later. The all-time peak in proportion of favourable respondents (at 56 per cent)

occurred in 1980, just as the public policy counter-offensive in favour of business was getting into its stride (Brown 1999; Warren 1999). These figures are consistent with other findings from the British Social Attitudes Surveys. Bryson and McKay (1997) analysed changing public perceptions about both income inequality and beliefs about the likelihood of fair treatment of workers by managers; they show a growing perception of inequality, and a declining perception of managerial fairness, between 1983 and 1996. Heath and Park (1997) analysed in particular the attitudes of 'Thatcher's children' – those who reached adulthood during the 1980s and who are often thought to be especially sympathetic to the Thatcher revolution. They found, to the contrary, a marked increase between 1983 and 1996 in the proportions convinced that big business operated for owners at the expense of workers. In short, as the political elite moved in favour of business, popular attitudes moved against it.

These changed public attitudes are plainly in part a *response* to public policy – the result of a feeling that the pendulum of policy had swung too strongly in the direction of business power and economic inequality. But that really only restates the puzzle, for it just tells us that the normal mechanisms for the legitimization of business power began to break down, despite sustained support across the political elite. The clue to the fundamental sources of that breakdown is provided by a remark of Habermas in the most distinguished modern study of legitimization crises. Class societies, he writes, must simultaneously solve the problem of how to achieve an unequal yet legitimate distribution of resources: 'They do so by means of structural force, that is, by fixing in a system of observed norms the asymmetrical distribution of legitimate chances to satisfy needs' (Habermas 1976, p. 96).

In a nutshell, the norms that legitimized business power in Britain have weakened in the last two decades. Business is plainly a form of property and, in a market economy such as that which operates in Britain, a very important form of property: the biggest businesses, mostly joint stock companies, plainly constitute one of the most significant concentrations of property in the community. Corporate property brings entitlements: the entitlement to exercise power by making decisions (about investment, and about hiring and firing labour, for example) that shape both the lives of citizens and the policies of governments; and the entitlement to appropriate rewards (in the form of salaries, distributed profits and the wealth embodied in shareholder value).

How can these entitlements be justified, and what limits should be set to their exercise? These two questions are at the heart of legitimization problems. All systems of property need legitimization if they are not to be seen merely as the exercise of power and greed, but in a democratic political system the need to legitimize business property is especially pressing. Corporate property (and the entitlements to power and wealth which it brings) is unequally distributed – and indeed has become more unequally distrib-

uted in recent decades. On the other hand, the democratic political system is premised on rules of citizenship – on rules attaching equal rights and obligations to all. Some way has to be found of establishing a stable relationship between the egalitarian citizenship presumptions of democratic politics and the inequalities represented in business power.

That is why it makes sense to think of the problem of legitimizing business power as in part a constitutional one, since manifestly one purpose of constitutions is to establish some stable rules governing the relationship between the public and the private. The point becomes particularly clear when the matter is viewed comparatively, as in Prosser's (1990) work comparing the different constitutional settings of British and French privatization. How constitutional understandings draw and justify the boundaries between public and private of course varies greatly in time and place. In the United States, for example, the relationship between the public and the private in the economy is part of open constitutional argument: think, for instance, of the long tradition of constitutional debate stemming from the 'takings' clause in the constitution, or the complex jurisprudence produced by the rise of the American regulatory state (on the former, Epstein 1985, Sunstein 1990; on the latter, Duxbury 1995, pp. 149–58.) But issues can as well be settled by 'the silence of constitutions', in Foley's eloquent phrase (Foley 1989). In other words, what is neglected in constitutional debate can be quite as important as what is expressed. Silences have been especially important in the case of business regulation in Britain. The legitimization of corporate property entitlements was done by branches of the law removed from the world of constitutional discourse, notably by the law of contract and the law of property. Atiyah's monumental history of contract law, for example, is in effect a study of this legal domain as a source for regulating and legitimating property entitlements. It documents the fall and the rise of morally infused legal doctrines in governing contractual relations. The connection between contract law and legitimization is made particularly clear in his account of the modern revival of theories infused with notions of equity, these being directly associated with the rise of popular politics and collectivist ideologies (Atiyah 1979, pp. 716–79).

The political function of constitutional 'silence' in the case of business regulation is clear when we consider the conjunction of the history of business regulation and the history of democratic politics. We can date the beginning of modern democratic politics from the new suffrage and the new party system that appeared after 1918. By then, the key assumptions underlying business regulation had been established. In other words, a system of business regulation established before the onset of democracy now had to survive in a democratic political environment. One of the most important mechanisms of survival was constitutional silence: business regulation was defined as beyond the scope of government as conventionally understood. There thus existed one of the most important conditions of effective legitimization identified by Habermas: the seeming 'naturalness' of

a particular institutional order (Habermas 1996, p. 37). We can see how this happened, and some of its consequences, if we now look at two key aspects of the regulatory system: company law and the system of self-regulation.

BUSINESS REGULATION AND THE CONSTITUTION

To legitimize the business corporation, company law has to answer two questions. The first arises from the separation of ownership from control – a separation that since the work of Berle and Means (1932, 1968) is recognized as a central feature of the modern corporation: what is the proper relationship between legal owners and those who perform the daily job of running corporations? The second is: what claims beyond legal ownership could give entitlement to a say in governing corporations? It will be obvious that these questions are particularly important in governing big firms because these have elaborate managerial hierarchies and their property entitlements are usually traded on securities markets.

English company law has given highly distinctive answers to the two questions. Until the beginning of the twentieth century the traditional legal model treated directors merely as agents of the company. At the start of the century that treatment was abandoned by the courts in favour of a model which recognized the distinctive role of managers, and treated boards as distinctive organs of companies (Stokes 1986). That change decisively shifted the initiative, in the wake of the separation of ownership from control, to boards dominated by professional managers. The traditional legal model of the firm, meanwhile, pictured it as the product of a set of contractual agreements between shareholders. The firm was a private entity, and entitlement to a say in its governance was reserved for those with the property rights signified by legal ownership in the form of holdings in equity. In the words of a modern study of company law: 'in Britain the company has traditionally been thought of more as a voluntary association between shareholders than as a creation of the state' (Cheffins 1997, p. 39). The rise of this model in England also coincided with the waning of what is usually called the 'concessions' model of the company (Parkinson 1994, pp. 25–8). The concessions model saw the company as a legal creation upon which the state conferred privileges not granted to other economic actors. These included monopoly rights (think of the great trading companies that were instruments of mercantile capitalism in the early phases of imperialism); rights to infringe the property entitlements of others (think of railway construction); and most important of all, the privilege of limited liability after the passage of the Limited Liability Act of 1855. It will be clear that a concessions model implies a very different relationship between the state and the enterprise than is suggested by one that sees the company as the product of a private contractual arrangement between shareholders. In the concessions model, property rights in the enterprise are conditional entitlements, privileges that depend on performing some public obligations or recognizing some restraints over corporate behaviour in the wider public

interest. The conception of the concessions model echoes the argument of Reich's (1964) famous paper on property, where some important forms of property are identified as 'largesse' – concessions by public power that entail observing constraints governed by the public interest.

The concessions model declined because the benefits of incorporation – such as limited liability – became widely and more or less automatically available. But other important areas of social and economic life were still treated as the product of state 'largesse'. Some British 'largesse' exactly resembled Reich's new property. These included rights to private property in agricultural land, whose exercise after the Second World War was conditional on appropriate cultivation: the 1947 Agricultural Act imposed on cultivators a 'duty of good husbandry' and gave to the state the power to sell off the land of those who failed in that duty (see Goodin 1990, p. 401; Self and Storing 1963, pp. 110–38). Other largesse covered franchises awarded by the state, of which the best known were the broadcasting franchises granted in commercial television from the middle of the 1950s. Many entitlements in the welfare state (to public housing, for instance) were conditional on observing both diffuse norms of good behaviour and a range of bureaucratically specified conditions – an exact British parallel to some of Reich's most important examples.

The decline of the concessions model in business meant that corporations escaped this world of largesse. Treating the company as a private contract between shareholders meant that the law operated with a light touch. The central issue created by the separation of ownership from control – the relations between the managers of the firm and its legal owners – was simply not addressed at all. Company law only prescribed that an enterprise had to have directors. It said nothing about the role of non-executive directors, nor about key distributional issues such as the way the rewards of directors were to be settled (Cheffins 1997, pp. 96–7). An accumulation of economic regulation, true, gave other stakeholders – creditors, employees – some specific entitlements; but these were not entitlements in ownership, only claims against the legal owners.

The prevailing regulatory ideologies, which emphasized the virtues of self-regulation where at all possible, and consensual regulation in those rare instances where the law was needed, matched this system of light touch legal control. Ideologies of self-regulation placed large areas of economic life beyond the reach of the democratic state. That was particularly true of the main financial markets. For big publicly quoted corporations, two regulatory arenas were particularly important: those where accounting rules were made, and those governing securities markets where ownership entitlements were traded. There was a long-established tradition of self-regulation in accounting. Until 1900, there was no legal requirement for an external audit of company accounts (Edwards 1989, p. 192). The Stock Exchange imposed some voluntary self-regulation in the last two decades of the nineteenth century but treated this as an entirely private matter: 'A

requirement for companies to send two copies of their accounts to the Stock Exchange was introduced, probably in 1881.... *These accounts were not open for public inspection'* (Edwards 1989, p. 197, emphasis added). Until the early 1940s, the accounting profession declined to mandate any consistent standards of disclosure at all; and from the 1940s to the 1970s standards were guided only by recommendations from working parties of the Institute of Chartered Accountants (Edwards 1989, pp. 240–55). As far as securities markets were concerned, three important issues in the trading of corporate property show how deeply self-regulation was embedded: the disclosure requirements for public issues of shares were, until the passage of the 1986 Financial Services Act, governed by the non-statutory Listing Requirements of the Stock Exchange's 'Yellow Book'; the regulation of the use made by insiders of their privileged knowledge for the purposes of dealing profitably in company stock (insider trading) was likewise done by independent City rules, and was not even juridified, still less criminalized, till the 1980s; while the regulation of the process of take-overs and mergers was done by a self-regulatory City body, the Panel on Take-Overs and Mergers.

The essence of the argument in this section is that we are witnessing here one of the 'silences' of the constitution: business regulation was construed as a subject which belonged to domains beyond those occupied by open constitutional argument. But the account just offered has been phrased in the past tense because it has altered greatly in the last two decades. The next section summarizes one of the main arenas of alteration: the newly privatized sector.

PRIVATIZATION AND THE NEW CORPORATE PROPERTY

The way privatization was an economic and a constitutional revolution need only be summarized in a few lines here. Most privatizations (the sale of public housing is the big exception) involved transforming the character of corporate property. Transferring the utilities and the core industries of the industrial economy to private hands obviously redrew the private/public boundary in a radical way. But it was not possible simply to shift the privatized concerns into the private sector and subject them to the traditional controls of company law. Something beyond the traditional ideology of company law was needed to legitimize this new corporate sector because it had some special features.

The special characteristics of the newly privatized sector are fairly obvious. They arise from a combination of two features: the unusual product and consumer markets where the privatized industries operate; and the way they were privatized. The big corporate privatizations of course involved utilities that were part of the core of the economy: telecommunications, 1984; gas supply, 1986; electricity generation and supply, 1989; water, 1991. (To provide a benchmark, the dates are those of the major regulatory statutes.) Ernst's work (1994) systematically explores the distinctive characteristics of these industries. There is convincing survey evidence

that public perceptions place the services they supply as among the essentials of life. Fuel and water in particular are, not surprisingly, ranked by the population right at the top of the necessities of human existence. The goods and services produced by these utilities are also for the most part non-substitutable. There is no realistic alternative for a household in urban Britain to the running water provided by a utility company. Disconnection from that network is thus a disaster for those involved. That observation only highlights the strategic position of the privatized utilities in the wider economy and society: the obvious example is the intimate link that exists between water supply and the infrastructure of urban life, a connection in turn vital to public health. Finally, some of these goods and services plainly have the features of classic public goods, notably jointness of consumption and non-excludability (Ernst 1994, pp. 37–44). The special character of the product markets inhabited by the privatized concerns was reinforced by a feature which several shared. They either operated franchises for the state overseen by regulators (think of the rail carriers); or their competitiveness in markets depended heavily on licences awarded by state regulators (think of the landing rights at major airports granted to British Airways).

It is true that goods and services produced and delivered by enterprises historically in the private sector have some of these characteristics. Food, for example, ranks right at the top of any list of the necessities of life when people are surveyed on this matter. And it is indeed striking that this is one area where the state has imposed special limits on property rights: entitlements in farmland are, as we saw earlier, contingent on proper cultivation. It is also true that neither licences nor franchises are unknown beyond the privatized domain: one has only to think of the regime governing the delivery of terrestrial commercial television. But no significant part of the economy historically in the private sector matches the newly privatized utilities in the combination of ways summarized above: in perceptions of necessity; non-substitutability; standard public goods features; and dependence on the state for the privileges of licences and franchises.

The circumstances of the privatization programme reinforce the special character of this corporate sector, emphasize its unique legitimization requirements and show that it amounts to a form of 'new property' in Reich's sense – a manifestation of 'largesse' from the state. The flotation for the most important privatizations had, by the standards of conventional private flotations, an unusual feature. They were deliberately priced at a discount, usually offering investors an immediate paper profit when trading opened. The most favourable interpretation of this practice was that it was designed to maximize popular ownership; the least favourable that it was a bribe. Whatever reason is credible, the terms of most privatizations amounted to largesse by the state – transferring public property to private interests at concessionary prices. The value of this largesse was remarkable. All the privatizations registered both short- and long-term gains in share value ahead of the average gain of all traded shares. In some cases the

gains were spectacular: prices in the privatized regional electricity companies grew by more than 120 per cent above the market average over the first four years of privatization, while prices in the water and sewage companies registered a gain of 93 per cent over average market performance (Baldwin and Cave 1999, p. 234).

In short, the newly privatized enterprises revived the old, abandoned conception of the company as the product of concessions by the state – concessions that created a range of privileges: control (often amounting to monopoly) over production and marketing of goods and services perceived by most people as basic necessities of life; transfer of public property to private hands at a discount; and the award of public franchises and licences to many enterprises that had been privatized on these favourable terms. These circumstances explain the special legitimization conditions needed for the newly privatized enterprises. How could this transfer of resources and market power to private hands be justified?

Legitimation was only possible by the creation of a special regulatory framework for the privatized domain. As Prosser shows, some of those who exercised most influence over the creation of the new regulatory regimes, notably Professor Littlechild the founding Director-General of Electricity Supply, believed that regulation would only be needed for a transitional period until competitive markets were fully established. That assumption in turn implied that the power of regulators would be precisely circumscribed and of limited duration. Their job would not be to promote continuing intervention in the public interest, but to stimulate the creation of competitive markets and to restrain the abuse of market power in the meantime: in Littlechild's often quoted image, to 'hold the fort' till the competition arrived (Prosser 1997, pp. 7–9; see also Burton 1997). As Prosser also shows, and as experience has reinforced since the appearance of his landmark study, the reality has been very different: it has proved impossible to disentangle regulation from wider public interest issues; the regulators are established as permanent institutional actors; and the social and economic consequences of the corporate activities of privatized utilities have become matters of continuing and often highly contentious public debate.

The institutional detail of the privatized sector has been systematically described by scholars like Prosser and can briefly be summarized here. Initially the state attempted to retain some ownership entitlements by the creation of 'golden shares' – in effect, a public stake in the equity which would allow government to veto the exercise of some private property entitlements (such as disposal through corporate merger) if deemed against the public interest. This blunt instrument of control has waned in importance as the regulatory structure itself has become embedded. Three details of this embedded regulatory regime show how far in this domain there has occurred a departure from the established assumptions of company law.

First, where firms hold franchises, the state has retained the right to inter-

vene in key areas of corporate decision making. While light touch franchising is possible for simple products that involve low sunk costs, writing complete contracts for the sort of activities involving the privatized utilities is impossible; the gap is filled by regulatory intervention (Baldwin and Cave 1999, pp. 268–9.) In rail, for instance, the Office of the Rail Regulator and the Office of Passenger Rail Franchising are deeply involved in the details of corporate decision making. When the 'shadow' Strategic Rail Authority comes out of the shadows this intervention will increase. Ticket pricing, marketing systems, capital investment programmes and issues of service punctuality: all are subject to intervention.

Second, the franchised industries – but not only the franchised industries – are now governed by a network of permanent regulators. These regulators are a major departure from the regimes for the control of corporate property in the established system of company law: an elaborate institutional structure has been created for all the privatized utilities; the remit of these regulators means that the daily management of the privatized enterprises – involving traditional issues of managerial decision such as pricing, investment, and so on – has often to be negotiated with the separate regulators; and the fact that the system mostly vests authority in individual regulators rather than in boards has lodged at its centre cohorts of regulators who have emerged as significant, high-profile political entrepreneurs. The study by Hall and her colleagues of the regulatory culture of OFTEL (the telecommunications regulator) documents the monarchical pretensions of these new regulators: '*Oftel c'est moi*' in the title of one of their chapters (Hall, Scott and Hood 2000, pp. 61–81.) Or think of the paradox of Professor Littlechild: his brain told him to wither away, or at least the bit of it occupied by Austrian economic theory did; but his instincts turned him into one of the enduring regulatory politicians of the last two decades.

The third feature of the regulatory regime has become especially marked since the return of the Labour government in 1997: a persistent state interest in profit levels and shareholder value. The symptom of this change is the Windfall Tax on privatized utilities imposed by the new government soon after it assumed office. Strictly, the tax is a levy on the imputed excess value of shares following privatization, but it is part of a more fundamental breach both with the traditional regimes of corporate governance, and with the understanding that had previously underpinned the regulatory regime for the privatized industries. The latter understanding was that the utilities would deliver on pricing, but that profits and enhanced shareholder value accruing from efficiency gains after the pricing rules had been complied with would fall to property owners and managers in the manner of any corporation. The windfall levy not only marked out the privatized sector as special; it also breached the established understanding, signalling the state's continuing interest in levels of profit.

This brief sketch of the regulatory regime shows what a dramatic departure the system created for the privatized sector amounts to when com-

pared to the traditional understandings of company law. English company law was striking in the way it treated the company as a private association, thus legitimizing a regime where the exercise of ownership entitlements was little constrained by public power. The regulatory regime that governs the privatized sector is very different, involving much closer constraints on property rights. It is true, of course, that there is also widespread dissatisfaction, both among commentators and among the public at large, about the operation of privatization and about the degree to which the constraints on the exercise of property rights are adequate. But this very high level of debate and dissatisfaction is itself an indication of the extent of the shift in thinking which the new regulatory regime represents; it springs precisely from the view that the traditional domain of company law is not the place for these new enterprises.

But as we shall now see, the notion that the traditional entitlements of corporate property should be constrained has also begun to seep into longer established areas of regulation.

SELF-REGULATION AND THE FRANCHISE STATE

The traditional understanding in company law – that the company was a private association in whose control the state and the law should play a marginal role – matched the dominant wider ideology of business regulation. Ideologies of self-regulation were particularly influential in Britain and they took on a distinctive hue. Self-regulation by the business community was well established across much of Europe, but on the other side of the channel, historically, it took a juridified form. The characteristic European self-regulatory institution was both state sponsored and legally integrated into the state structure, usually as a public law institution where private interests controlled the daily practice of regulation but were backed and legitimized by state authority. Britain was different. Self-regulation here did not mean government by public law bodies; it meant the government of corporate enterprise by private associations. This ideology of self-regulation was of a piece with the ideology that underlay company law. The purpose of law was to create a framework where the exercise of property entitlements was constrained only by the need to promote market exchange – by ensuring against fraud, and by regularizing arrangements governing what would happen when businesses experienced trouble and threatened the interests of creditors. I illustrate these arguments from three domains: accounting rules; the government of securities trading; and the regulation of take-overs and mergers. My image of the franchise state is borrowed from Wolfe (1977).

The seven major company law committees established between Gladstone (1841) and Jenkins (1959) were all dominated by issues of disclosure and reporting – in other words, by issues to do with what two sets of interests, investors in the company and creditors of the company, were entitled to know (see Edwards 1989, pp. 200–212). Although, since the turn

of the century, the law has required the presentation of some form of company accounts, the format was controlled by the accountancy profession until the start of the 1990s. Cheffins' text on company law summarizes things thus:

companies legislation does not operate as a comprehensive code governing the standards relevant to the format and presentation of company accounts. Instead, the accounting profession has since the 1940s issued guidelines that supplement statutory requirements. Initially, the Institute of Chartered Accountants of England and Wales took it upon itself to draw up a set of recommendations concerning the preparation of accounts. During the 1970s the process became more structured. The Accounting Standards Committee (ASC), acting as a proxy for a number of professional accountancy organizations, prepared the standards governing the presentation of information in company financial statements. The ASC was self-regulatory in all key respects since it was answerable only to the professional accountancy organizations which provided for its creation and its standards had no specific statutory backing. (Cheffins 1997, p. 372, footnote omitted)

The story of wider self-regulation in the securities markets – the markets that are critical to the entitlements of corporate property – is well known and can be summarized briefly here. The Stock Exchange, a private association without any statutory foundation, controlled listing requirements, trading standards and competitive practices. Insofar as corporations were governed, it was the governing institution. (The traditional system is summarized in Stock Exchange 1979.)

The regulation of the process of take-overs and mergers was an out-growth of this independent regulation of securities markets. Mergers and take-overs are obviously critical to the entitlements of corporate property. The great take-over battles of the 1950s which prompted the original regulation went to the heart of the legitimacy of the corporate order: they involved issues to do with managerial power, with the right of shareholders to dispose of their property, and with the rights, if any, of those for whom the disposal of property might have consequences – such as employees in firms. The original establishment of the Panel on Take-Overs and Mergers in 1968 ensured that these critical issues were to be settled by the business community itself, or rather by the corporate core of the financial system. (The history of this system of business control is given in Panel on Take-Overs and Mergers 1979.) Innovations in financial markets, notably innovations in the battles for corporate control, produced in the decades up to the 1990s an increasingly elaborate set of rules administered by the Panel, but the principle of independent self-regulation was preserved. The Panel, for instance, declined the option of statutory recognition in the Financial Services Act of 1986, the biggest single upheaval in the legal structure of financial regulation in the last generation.

In summary, until well into the 1980s, and in some cases into the 1990s, self-regulation of corporate property was of a piece with the prevailing assumptions of company law: that the company was a private association in whose regulation the state was entitled only to a marginal role, and then only insofar as public regulation helped create the conditions for efficient exchange. We saw in the last section that the privatization programme created a sector governed by very different assumptions about the entitlements of corporate property. We will now see that a similar transformation of assumptions and practices has taken place in the domain of self-regulation. The changes are illustrated by reference to the three fields examined above: accounting practices; the institutions of regulation in the securities markets; and the regulation of the conduct of take-overs and mergers.

The decisive changes in the government of accounting practices date from 1990 (Cheffins 1997, pp. 372–3). In that year, the Financial Reporting Council replaced the Accounting Standards Committee. The composition of the Council signifies the abandonment of some key features of self-regulation: for instance, the DTI and the Bank of England now appoint the chair and deputy chair. But the critical change lies in the fact that the Financial Reporting Council has delegated responsibility for standard setting to the Accounting Standards Board (ASB). The ASB, by contrast with its predecessor the ASC, is recognized by statute (in both the 1985 and the 1989 Companies Acts) and the law requires companies (some exemptions are allowed for small firms) to state that their accounts are prepared in accord with its standards. The ASB has, in effect, acquired a statutory licence to govern financial reporting. (The Financial Reporting Council reappears below in the efforts to manage the wider legitimization problems of the business community in the 1990s.)

The government of securities markets, and especially of the Stock Exchange, has meanwhile been revolutionized since the middle of the 1980s. The extent of that transformation has been concealed by the continued invocation of the language of self-regulation. The system in September 2000, for example, is barely recognizable from what existed when change got underway in the mid 1980s – and, what is more, it continues to change into an ever-more state-controlled system. Beginning with the Financial Services Act of 1986, the state began creating a system of legal licensing for regulatory bodies, and in turn conferred on those bodies the authority, backed by law, to issue licences authorizing firms to enter particular financial markets. Institutionally, this involved the creation of a ‘peak’ regulatory body, initially the Securities and Investments Board, which in turn franchised a system of self-regulatory organizations in a number of markets (Moran 1991). Subsequent changes – notably the reforms introduced after the return of the Labour government in 1997, and the ensuing changes in the Financial Services Act 2000 – have strengthened the public law character of the regulatory institutions: the Financial Services Authority created after 1997 enjoys greatly expanded jurisdiction over financial regu-

lation (taking over the banking supervisory responsibilities of the Bank of England) and the hierarchy of control through the self-regulatory organizations has been considerably strengthened by the law (Lomnicka 1999; Mac-Neil 1999).

The analytical importance of all this lies in the licensing arrangements that are at the heart of the new system and in the conditions that attach to the licence. The old system of self-regulation, which legitimized private control of the disposal and use of corporate property, has been replaced by a much more explicit system of franchising. In the critical markets of the modern economy – the financial markets – firms now enter only on condition of authorization by state-backed and state-controlled institutions. I do not mean to suggest here that regulatory change has attacked the interests of business in the financial markets. On the contrary, its purpose is to protect the wider interests of the markets by regulating against imprudence, incompetence and fraud. One important motive is to promote London's reputation for probity in the competition for the position as Europe's leading financial centre. The model of economic regulation that underlies these practices is nevertheless very far removed from the traditional assumptions of both company law and the old system of self-regulation. A franchise state has arrived in the financial markets. The entitlements of corporate property – entitlements that of course open up fabulous wealth and great power – are available only as a concession from state-backed regulatory agencies.

These developments have been reinforced by what can only be called the momentum of regulatory change in the financial system – by which I mean the transformation in the status of regulatory bodies not as a result of purposive policy change but as the result of the accumulated momentum of a long history of regulatory practice. This is essentially the history of the Take-Over Panel that, as we saw earlier, had successfully resisted incorporation into the world of statute in the 1986 Financial Services Act. But shortly thereafter the Court of Appeal ruled that the Panel was now so surrounded by a framework of statute that it effectively operated in the public domain and its decisions were subject to judicial review. This 'constitutionalisation of self-regulation' (to adapt a phrase from Black 1996) has been subject to numerous qualifications and silences by the courts, silences that in part reflect the difficulty experienced by the judicial mind in abandoning antiquated ideologies. Its significance nevertheless lies in the way it shows that even bodies dedicated to the practice of traditional self-regulation are now so embedded in a more interventionist system that they are unable to disentangle themselves from the public world.

The experience of the Panel shows that corporate regulation is now in a state of flux – a flux that is making the task of legitimizing corporate property entitlements immensely difficult. I illustrate the difficulty in the next section.

THE LOST LEGITIMACY: REGULATING CORPORATE POWER

Legitimizing corporate property entitlements is about legitimizing the unequal distribution of power and economic rewards. Legitimation was traditionally done by legal doctrines that pictured the company as a private association only marginally subject to public power, and by regulatory ideologies that pictured corporate regulation as the independent job of the business community. These linked doctrines, as we have seen, were badly damaged in the 1980s and 1990s: what had seemed part of the natural order of things, to echo Habermas's language, ceased to be so. In these very decades, however, the inequalities generated by corporate activity became even more marked. As profits and the rewards to senior executives grew, the need for legitimation became more pressing at the very moment when the traditional legitimation mechanisms were being weakened. In this conjunction lies the continuing struggle by the business community to establish some morally defensible basis for corporate power.

The problems of legitimation in the 1990s crystallized around the linked issues of the profits achieved by many of the newly privatized utilities and the rewards received by their senior managers. Perhaps the most publicly contentious case concerned the pay package negotiated in 1995 by Cedric Brown, the Chief Executive of British Gas. Many features of this episode are remarkable: it brought executive pay onto the Cabinet's agenda for the first time in decades; it led to acrimonious and highly public grilling of Mr Brown by a Parliamentary Committee; and it produced a tumultuous corporate AGM complete with public demonstrations and the release of a pig outside the meeting. But perhaps the most remarkable feature of all was that, by the standards of corporate Britain, the behaviour of British Gas was quite restrained: the size of Mr Brown's pay package was modest compared with the pay of executives in similar corporations, while the issue probably only came to light because British Gas practised disclosure rules that were in advance of those for the private sector as a whole (Corporate Governance 1996). It could only become an issue because privatization had revived the concessions theory of the company. One of the driving forces behind the new Labour government's windfall tax was continuing public concern about executive rewards in the privatized corporations. In another area where a corporate entity is the product of state largesse, the contract to run the national lottery, executive pay and corporate profits continue to be matters of high public controversy. The entitlements of corporate property in this sphere are quite remarkably circumscribed: they span controls over market entry, outlets, performance standards and client participation (Miers 1996).

The public vilification of Cedric Brown, and the continuing criticisms of executives in franchised concerns, is symptomatic of a more general problem in exercising corporate entitlements. Throughout the 1990s, a succession of committees and working parties set up by business institutions

and chaired by the great and the good of the business community, tried to reconstruct self-regulatory codes of business behaviour (Cadbury 1992, 1992a, was set up by the Financial Reporting Council, the Stock Exchange and the accounting profession; Greenbury, 1995 by the CBI; and Hampel, 1998 by the Financial Reporting Council). The history of these groups is illuminating: they betray a fatal widening of the terms of regulatory debate into spheres of once unchallenged corporate prerogative. For instance, the primary concerns of Cadbury were traditional: how to protect the interests of shareholders and creditors against fraudulent executives. (This was the age of proven swindlers such as Maxwell and Nadir.) Greenbury's ill-fated report was about the very much less traditional issue of corporate pay, and not confined to the privatized sector. (It was ill-fated because its proposals to limit stock options were so incompetently formulated that, having been initially enthusiastically endorsed by the Chancellor, they had to be disavowed because it transpired that they mostly damaged share ownership schemes for junior employees.) Hampel's (1998) report spanned the widest issues of corporate governance, and was intended to lead to a 'supercode', a self-regulatory code prepared by the Stock Exchange which would still once and for all continuing public interest in issues of corporate governance (see Martinson 1998). At the time of writing (September 2000), government's continuing interest both in the structure of utility regulation and the wider regulation of companies shows that this effort has failed. There has been no reconstruction of a lost legitimacy.

BRITISH CAPITALISM IN CONTENTION

There is nothing novel about opposition to either business power or the wider market system; Boswell and Peters' (1997) study documents the long history of 'capitalism in contention' in Britain. Defenders of business have in turn built powerful alliances in the political system and fashioned intellectually compelling arguments – notably to do with the way free markets can simultaneously foster political liberty and economic efficiency. The bias of policy over the last two decades, in both Britain and abroad, shows that the intellectual case has proved powerful. All the more striking, then, that regulatory understandings so long settled should have simultaneously been disturbed. Three forces of disturbances are at work; some actually originate in the very success of the case for an expansion of business power.

The first source of these disturbances was privatization, the scale of which in Britain has of course been unusual by international standards. As I have tried to show, the newly privatized industries could not be assimilated to the prevailing understandings of company law: the character of their product and consumer markets, and the terms under which they were sold, revived the concessions model of the enterprise. Privatization was a form of ' largesse' by the state; enjoyment of its benefits in turn entailed observing limits in the public interest on the conduct of firms' internal affairs. That alone was important because the scale of privatization meant

that a very large part of the corporate sector was now covered by these new regulatory assumptions. But as the debate about corporate governance summarized above shows, it has proved impossible to confine the change in regulatory assumptions to the privatized sector. Nor is that surprising, because the normal workings of market forces (for instance, through takeovers, mergers and business alliances) have blurred the distinction between the former privatized utilities and the rest of business.

The second great source of disturbance is structural change in markets, change often directly connected to the pro-competitive reforms of recent years. These changes have weakened the cultural conditions on which the traditional system of business regulation rested, cultural conditions that were tied to traditional models that restrained the competitive appetites of capitalists. The most obvious example of this change is provided by financial markets, the arena where systems of self-regulation most spectacularly collapsed (see Moran 1986 and 1991). The cultural foundations of effective self-regulation in financial markets were closely tied to the control of competition: market entry was closely regulated, while powerful social controls limited competition among existing firms. The classic examples were the socially elitist markets of the City of London. That kind of self policing ceased to be viable as markets were transformed, often to a global scale, and were subjected to intense competitive pressures. The fact that the 'big bang' in the City of London (the deregulation of price and entry controls in 1986) occurred in the same year as the passage of the Financial Services Act, the greatest departure hitherto from self-regulation, is thus not coincidental: the legislation was born of the recognition that the old system of self regulation could not survive the new world of global competition.

The combined impact of privatization and the transformation of self-regulation made more unsettling still the third disturbing force: the engrained tension between democratic politics and business as a system of power. The conjunction of political democracy and free markets across large parts of the globe shows that this tension can indeed be managed. In part it is managed by the force of the arguments marshalled by free market economists such as Hayek: to wit, that while markets produce property distributions which cannot be defended by the egalitarian assumptions of democratic citizenship, or by some more general theory of justice, these distributions are to be tolerated because markets foster other desirable outcomes – for instance, social diversity, political liberty and economic efficiency (Hayek 1960). But in Britain the tension had also been managed by one of the 'silences' of the constitution. The predominant forms of business regulation – the sort embodied in the traditional assumptions of company law and the assumptions underlying classic self-regulation – were the product of the era before the emergence of the democratic state in Britain. If we date the emergence of modern democratic politics from the franchise reforms following the First World War, we can see that both self-regulation and the traditional assumptions of company law were by then already well

in place. The effect was to remove issues to do with business regulation from the usual arenas of constitutional debate: contrast again the position of business in the United States where it has had openly to argue for the defence of its privileges (Vogel 1978, 1986, pp. 226–63). That understanding provided a powerful protection from the attentions of democratic politics: the City of London, arguably the biggest concentration of economic power in the economy, was largely free of interference from Westminster until the juridification of financial regulation in the 1980s. The developments of the last two decades of the twentieth century – the twin revolutions of privatization and the collapse of self-regulation – ended this period of constitutional ‘silence’: privatization forced a new look at how the private sector should be regulated; the transformation of markets made self-regulation of a traditional kind unworkable, the symptom of this being a succession of financial scandals. The new look involved turning to the arenas of the democratic state – to Parliament and the statute book, and all the public scrutiny that accompanies this exposure to democratic politics. Thus, one of the key mechanisms for managing the tension between the principles of democratic citizenship and business power – silence about key matters of business regulation – was fatally weakened.

This new exposure to democratic politics poses great challenges for the business community. New sources of legitimacy have to be created in a more overtly politicized and sceptical political environment. The history summarized earlier of the attempts by business to reform corporate governance in the 1990s – the histories of Cadbury, Greenbury and Hampel – shows how difficult that will be.

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PERFORMANCE MANAGEMENT, EVALUATION AND LEARNING IN 'MODERN' LOCAL GOVERNMENT

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Public sector reforms throughout OECD member states are producing a new model of 'public governance' embodying a more modest role for the state and a strong emphasis on performance management. In the UK, the development of performance management in the context of the 'new public management' has been primarily 'top-down' with a dominant concern for enhancing control and 'upwards accountability' rather than promoting learning and improvement. The development of performance management and evaluation in local government in the UK has been conditioned by external pressures, especially reforms imposed by central government, which have encouraged an 'instrumental-managerial' focus on performance measurement. The new Labour government's programme of 'modernizing local government' places considerable emphasis on performance review and evaluation as a driver of continuous improvement in promoting Best Value. However, recent research has indicated that the capacity for evaluation in local government is uneven and many obstacles to evaluation exist in organizational cultures. Local authorities need to go beyond the development of review systems and processes to ensure that the capacity for evaluation and learning is embedded as an attribute of 'culture' in order to achieve the purpose of Best Value.

INTRODUCTION

During the past two decades local government throughout Western Europe has been subject to far-reaching reform programmes as part of a broader public sector reform drive. Growing economic problems during the 1970s resulted in large-scale public sector deficits and the resulting fiscal crisis interacted with a legitimacy problem as the capacity of 'big government' to solve social and economic problems effectively came increasingly into question (Lane and Ersson 1994, pp. 7-8). The ideas of the New Right produced a critique of traditional bureaucratic forms of organization as lacking flexibility and dominated by 'producer' interests (King 1987). In this context the dominant thrust of policy in many Western European states became to reduce the size and scope of the public sector and to increase the efficiency of services and activities which remained in the public sector. This involved a substantial programme of privatization, the introduction of competition and attempts to make public services more responsive to their users or

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'customers', applying 'business-like' management techniques with a stronger focus on measured performance.

This approach to public sector reform has become known as 'new public management' (NPM) (Hood 1991). The principles of NPM have been applied in most OECD countries (Lane 1997). Indeed, the Public Management Service (PUMA) of the OECD (1997) has argued that, notwithstanding differences in the nature, size and approach to public sector reforms, a common agenda has developed, constituting a new 'paradigm' for public management aimed at fostering a performance-oriented culture in a less centralized public sector. Thus, responsibility for operational management is devolved but within a framework of accountability for results (OECD 1994). It is in this context that reference has been made to the rise in the UK of the 'new evaluative state' (Henkel 1991b) in which performance is scrutinized at different levels through a variety of means: in terms of outputs through systems of performance measures and indicators; in terms of managerial systems and processes through inspections and quality audits; and in terms of contract performance through monitoring of standards.

In relation to local government, the increasing requirement for accountability in terms of performance and results can be seen as a prime 'driver' of the development of evaluative systems over the past decade. Loughlin (1994) has argued that a shift in forms of administrative accountability has taken place in the context of the New Right challenge to professionalism as the guarantor of standards of administrative efficiency. He sees the rise of performance management as providing the basis for new forms of accountability in terms of performance and results. The Citizen's Charter performance indicators were seen as playing a key role in enhancing accountability in these terms (Stewart and Walsh 1992) and performance management has increasingly been implemented in local authorities with the encouragement of the Audit Commission (1995) and the LGMB (1993). There has been a strong 'top-down' orientation to these developments (Henkel 1992; Midwinter 1994) and elsewhere (Sanderson 1998) I have discussed the limitations of performance measurement in evaluative systems in providing a basis for effective government due, in part at least, to a failure to promote understanding and learning.

Other research (e.g. Palmer 1993) has indicated the degree to which local authorities developing systems of performance measurement have failed to integrate them adequately with mainstream budgetary and management processes, providing support for McKevitt and Lawton's (1996) conclusion that performance measurement has tended to be developed to provide legitimacy within the 'institutional environment' rather than to inform organizational change and service improvement. This situation can be seen as problematical for the Labour government's aim of 'modernizing' the management of local government through Best Value which embodies a performance management framework as a key driver of improvement (DETR 1998a, 1998b). The requirement under Best Value, that authorities

must undertake systematic performance review of all their services and demonstrate significant year-on-year improvements, poses a considerable challenge in the development of a capacity for evaluation which is integrated into the broader structures, processes and 'culture' of management.

The purpose of this paper is to examine the potential for the development of such an evaluation capacity in local government. The following section elaborates on the rationale for the development of evaluative systems in the context of managerialism with an emphasis on accountability and control and considers the way in which evaluation can contribute to learning and improvement. This is followed by a review of the programme of reform of local government in the UK over the past two decades and its implications for the development of evaluative systems. The next section then outlines the findings of recent research into the evaluation capacity of local government and the concluding section discusses implications for 'modernizing' local authorities in terms of the potential to promote 'organizational learning' and improvement.

THE RATIONALE FOR EVALUATION: CONTROL OR IMPROVEMENT?

Since the mid-1970s there has been a radical shift in prevailing ideas about how public service organizations should be managed. The New Right has challenged the assumptions of Keynesian demand management, of a 'universal' Welfare State, and of a 'social democratic consensus' which underpinned the 'post-war settlement'. The New Right critique rejected the notion of 'rights' to universal welfare provision based upon a commitment to social justice and also questioned the rationale of 'intervention' by government in economic and social affairs (Farnham and Horton 1993). Thus, government policy informed by this critique has emphasized individual self-responsibility, the need to reduce the size and scope of the state and to regulate producer interests, and the need to increase the role of the market (Pollitt 1993; Cutler and Waine 1994). The private sector has been encouraged to provide alternative, privately-based welfare; parts of state services have been contracted out to the private sector; and market principles have been increasingly applied in services remaining within the public sector creating, where possible, 'quasi-markets' (Sanderson 1996). The logic, according to Pollitt (1993, p. 44), has been one of '...cutting the size of the public sector and increasing the efficiency of what was left'.

This logic is embedded in what has been called 'new public management' (NPM) (Hood 1991), the principles of which have been applied in most OECD countries with varying interpretation (Lane 1997). Thus, 'marketization' has been achieved through contracting out, the development of public-private partnerships, quasi-markets and competitive tendering; and 'consumerism' has sought to provide users of services with more choice and more influence on decisions about policies and services as a spur to improved quality and value for money. Complementing these themes,

'managerialism' comprises three key themes: first, an emphasis on cash limits, cutting costs and increasing labour productivity and efficiency; second, the decentralization or devolution of management responsibilities, especially in relation to budgets; and third, the development of 'neo-Taylorian' practices such as setting standards and targets through planning systems, performance measurement and performance-related pay linked to appraisal, all designed to create incentives for better performance (Pollitt *op. cit.*, pp. 55–6).

According to Pollitt (1993), the development of managerialism has gone hand-in-hand with the marketization of the state and represents '...the "acceptable face" of new-right thinking concerning the state' (*ibid.*, p. 49), providing an apparently 'technical' solution to the political problem of increasing the productivity and efficiency of public services. Farnham and Horton (1993, pp. 47–9) argue that managerialism is founded upon economicistic, rationalistic and generic assumptions all of which increase the emphasis on measuring performance, mainly in terms of costs, productivity and efficiency, in the context of planning systems driven by objectives and targets. Walsh (1994) argues that there has been an attempt to replace planning and professionalism with the market and managerial control as the 'rationality' for organizing public services. Within market rationality, accountability to consumers assumes key importance with information on performance seen as empowering consumers and facilitating choice. The decline in trust in professionals as the basis for ensuring value for money in public services has resulted in new forms of control based upon 'surveillance', notably inspection and performance measurement (cf. Cave and Kogan 1990).

Indeed, Hoggett (1994) regards the key features of managerialism as a 'technology of control' which is superseding bureaucratic control as the preferred method of regulating public service organizations. Thus, in competitive tendering and the growth of internal markets, in the development of devolved forms of management, and in the growth of performance management techniques, there is a move towards new, post-bureaucratic forms of control. Competition and managed markets have produced radical forms of horizontally integrated production in which central controls are strengthened. The devolution of 'operational' management responsibility has permitted the strengthening of central control over 'strategic' matters of policy and allocation of resources. Moreover, devolved 'business units' are increasingly subject to performance-based funding linked to quantitative performance measures. Performance management systems display '...new kinds of formalization ... akin to neo-Taylorism...' (Hoggett 1996, pp. 20–1); the proliferation of performance measurement, quality systems, audit and inspection in the UK represents a 'proceduralism' underpinned by the mechanistic rational-systems model, indicative of an interest in control.

Clarke and Newman (1997) see the spread of the '...calculative framework of managerialism...' as part of a project '...to discipline and transform

the old institutional sites of power in the state – the bureau-professional regimes of the welfare state' (*ibid.*, p. 29). This involves a shift of power to management but subject to processes of regulation, audit, inspection and evaluation to achieve enhanced accountability to central government. In Hoggett's (*op. cit.*) view, these developments in the UK contradict the notion of post-bureaucratic 'hands-off' control, representing a highly formalized and centralized strategy for 'steering' public sector organizations in which '...steering by use of incentives and sanctions and the setting of meta-level rules ... can be an extremely effective form of "hands-off" control, indeed probably much more powerful than "hands-on" regulation and direction' (*ibid.*, pp. 25–6).

This relationship between the growth of performance measurement/management and the centralization tendencies of the British state has also been examined by Henkel (1991a, 1991b) who argues that the emphasis on control and accountability encouraged the development of a particular form of 'evaluation':

Government policies now promoted evaluation as a contribution to the control of the periphery by the centre, particularly in the management of resources. It stressed values of economy, efficiency, 'value for money' and effectiveness or performance. As a corollary, it assumed that evaluation would be summative, delivering authoritative judgements, based as far as possible on performance indicators or quantitative measures of input-output relationships and outcomes and set against predefined targets and standards. (1991a, p. 20)

Moreover, Bovaird and Gregory (1996) argue that central control has been '...the dominating purpose behind the external imposition of PIs and performance management approaches in U.K. public sector agencies...' (*ibid.*, p. 249). They also argue that 'top-down' control is the primary interest in the development of performance measurement and management systems *within* public sector agencies. In addition, from research amongst managers across the public sector, McKevitt and Lawton (1996) found that since performance measurement systems have developed primarily under the impetus of '...top-down external forces...' or of senior management, they tend not to be integrated into overall strategy and management processes and fail to engage the commitment of middle and junior management. Moreover, such systems neglect the views of service users and therefore tend to contain few measures of relevance to their needs. These findings are consistent with other research in the UK local government context for example by Palmer (1993) and with Wegener's (1998, p. 190) findings in relation to evaluation in local government throughout OECD countries in which '...evaluation remains, in the vast majority of applications, a stand-alone tool not integrated into the public governance process'.

The dual rationale of evaluation – on the one hand to promote accountability for performance in the use of public funds and, on the other, to

improve management and allocation of resources – is widely recognized (European Commission 1997, p. 14; HM Treasury 1997). The work of the OECD (1997) on performance management makes the distinction between 'top-down' systems oriented primarily to accountability and control and 'bottom-up' systems with a greater concern for promoting improvements in performance. The dominance of the top-down, control orientation in the UK, it is argued, is related to its 'administrative and political culture'. Thus, within a relatively centralized state, local government has a subordinate status in the 'dual polity' as the 'creature of Parliament', restricted to acting *intra vires* in accordance with legislation, and subject to a high degree of regulation and control by central government (Norton 1994).

This presents something of a contrast with the Scandinavian tradition of constitutionally recognized local self-government within which local authorities are seen as an 'organic' part of the state and central-local relations are characterized by negotiation, joint working and consensus building. In this context, performance management systems are developing in, for example, Denmark, Sweden and the Netherlands in a more 'bottom-up' way with a stronger orientation to assisting internal management and service improvement (OECD 1997). For example, in Denmark, performance management has developed in an *ad hoc* way with central government support and encouragement and there is an emphasis on internal evaluation of performance to understand how programmes are working and inform opportunities for improvement (*ibid.*, pp. 50–2).

Relatively little research has been undertaken as yet into the role of evaluation in learning in public sector organizations. However, Rist (1994) concludes that evaluation in governmental systems does contribute to organizational learning while Torres *et al.* (1996, pp. 27–8) argue: 'There is no other function within an organization that has more potential to contribute to the organization's learnings than evaluation'. The work being done in this area does suggest that in order to contribute effectively to learning, evaluation practice must develop more as an internalized, continuous process which is embedded in the structures, processes and culture of the organization. It must take account of the '...practical realities of governing' (Rist *op. cit.*, p. 198) and the need to achieve synergy with the organization's context and culture suggests a 'bottom-up' approach to development. Rist and Joyce (1995) have emphasized the value of qualitative research in learning, especially in contributing to an understanding of 'implementation processes' and customers' views. Torres *et al.* (*op. cit.*) argue that a collaborative or participative approach is important; it values different perspectives, spreads ownership and plays an educative role. Effective communication of information 'in the right form, to the right people, at the right time' is seen as crucial. Finally, and perhaps most importantly, the appropriate attitudes, behaviours and incentive structures are required to support 'evaluative enquiry' involving the ability to question and challenge existing practices, beliefs and values and the capacity for critical reflection and dia-

logue (Preskill and Torres 1999). These are most clearly attributes of the culture of the organization.

Such a model of evaluation would appear to present a considerable challenge to the structure of power and control of government organizations in the UK 'evaluative state'. The next section looks in more detail at the way in which evaluative systems have developed in local government and the implications for the capacity for learning and improvement.

REFORMING LOCAL GOVERNMENT: TOWARDS PERFORMANCE MANAGEMENT

The programme of local government reform pursued in Britain in the 1980s and early 1990s by Conservative administrations had much in common with the pattern of public sector change analysed by the OECD, involving trends towards deregulation, competition and privatization and results-oriented management. The key themes of this programme have been summarized by Stewart and Stoker (1995a) as follows:

- financial constraint and the search for efficiency and value for money
- fragmentation of local government with important responsibilities transferred to other agencies
- development of an enabling role for local authorities with reduced involvement in direct service provision
- increasing role for competition, with compulsory competitive tendering (CCT) for a wide range of services and growth of a 'mixed economy' of provision incorporating private and voluntary sectors
- an attempt to strengthen the power of 'consumers' of local services through choice at the expense of 'producer' interests
- an increased emphasis on new forms of accountability to the centre and within localities which involve a 'contractual' relationship embodying performance targets and criteria
- the promotion of more 'business-like' management imported from the private sector including 'strategic management', 'performance management', devolved cost-centre management, business planning, marketing and 'quality management'.

An important aspect of these reforms was an increased concern with 'performance', with the 'value' being secured from resources allocated to public services. The increased focus on the 'customer' of services, the increased use of competition in the procurement of services, the growth of 'internal markets' within public sector organizations, the increased use of devolved forms of management with accountability for defined performance – these resulted in a requirement to specify more explicitly what it is that is being produced and delivered and to measure, monitor and evaluate performance.

A key underpinning theme is the growth of 'contractual' forms of relationships. The form of 'contracts' varies from the formal, legal docu-

ments which provide the basis for competitive tendering, through 'service level agreements' commonly used in internal markets, to 'customer/citizen charters' which may be used to specify service standards, and business plans which specify performance targets for organizational units in devolved management systems. It is also possible to see an evolving contractual basis for the funding of local government (e.g. funds earmarked for urban regeneration linked to output targets). The basic principles of 'management by contract' apply in all these cases – that the service to be delivered is specified in advance in terms of measurable criteria and that performance against these criteria is subsequently monitored and evaluated. The spread of these 'contractual' forms of management can be seen as a key factor responsible for the growth in performance measurement and evaluation.

In the Conservatives' reform programme, it is possible to identify a number of elements that provided an impetus to the development of evaluative systems. The first was the Citizen's Charter introduced by the Conservatives in 1991. The Charter embodied the 'consumerist' programme of promoting choice through privatization and contracting out, by allowing consumers to 'opt out' of local authority-provided services, by providing information about services, standards and performance, and by consulting those affected by services. Moreover, the 1992 Local Government Act required the Audit Commission to produce a standard set of performance indicators (PIs) for local authorities which were designed both to provide information to local people about their authority's performance and to permit comparisons between authorities to encourage improvements in performance (Sanderson 1992).

The Citizen's Charter undoubtedly promoted the development of performance measurement in local government through the setting, monitoring and publication of explicit service standards and through the imposition of the Audit Commission PIs. It has been argued that it epitomizes the New Right project to change the relationship between state and citizen (Deakin 1994). On the one hand, it served to strengthen the power of managers relative to professionals and politicians since it was managers who were now to set standards (Pollitt 1994, p. 11). As Bynoe (1996) argues, the promise of power to the user was largely rhetorical and '...(t)he Charter has not led to any great citizen or user involvement in planning and priority setting for services' (*ibid.*, p. 38). On the other hand, the approach to performance assessment promulgated by the Audit Commission is seen as having promoted the interests of central government in financial control and increased efficiency (Henkel 1991b; Clapham and Satsangi 1992).

A second important centrally-driven spur to performance measurement in British local government was the imposition of compulsory competitive tendering (CCT) in the 1980 and 1988 Local Government Acts. As Walsh (1996) has argued, the introduction of competition and contracting resulted in some fundamental changes to the 'traditional organizational paradigm'

of local government founded upon hierarchical management systems and self-sufficiency in service provision. Stewart and Stoker (1995b) argue that a 'managerial revolution' was achieved as direct hierarchical management was replaced by more indirect management through contracts. Thus, the introduction of the purchaser/provider split resulted in increased 'organizational differentiation' and local authorities '...can be seen increasingly as a more or less integrated network of independent organizations and quasi-autonomous internal units' (Walsh, *op. cit.*, p. 62). Relationships between such organizations and units became increasingly formalized in contracts and service-level agreements in order to maintain control and there was increasing use of business planning, performance management and quality assurance systems. Decentralization in terms of freedom to spend within agreed cost centre budgets was complemented by centralization of control over policy and resource allocation decisions (*ibid.*, pp. 62–3).

As the CCT regime developed and was extended by the 1988 Local Government Act, there was increasing concern with contract monitoring processes to provide greater transparency and control. In particular, as CCT was extended to cover 'white collar' services that are more difficult to specify in contracts, greater attention was given to contract monitoring (Walsh and Davis 1993). In this sense, a greater focus on evaluation was encouraged, a conclusion supported by research by Wegener (1998) in OECD countries. However, the focus was primarily 'managerialist', with heavy reliance on inspection and technical standards; there has been only limited involvement of the public in monitoring processes, and this has been primarily through complaints procedures (Walsh and Davis *op. cit.*, pp. 103–4). This would tend to support the argument that empowerment of users through the 'consumerist' and competition agenda has been limited; the greatest shift of power was to client-side managers and Walsh and Davis' research indicates a tendency for such managers to become 'distanced' from the service and more concerned with 'generic' issues of contract management (*ibid.*, pp. 91–5).

A third key element in the development of evaluative systems that has reinforced their instrumentalist–managerialist orientation has been the 'audit explosion' (Power 1994). Again, the expanding use of audit and inspection practices has developed in the context of the processes of dispersal and devolution and the need for new forms of 'indirect control'. Power (*ibid.*, pp. 19–21) refers to audit as 'control of control' since they tend to focus on checking internal processes and systems of control rather than 'first order', 'substantive' activities. Local authorities became subject to major inspection regimes operated by the Audit Commission, the Social Services Inspectorate (SSI) and the Office for Standards in Education (OFSTED), the former two having recently joined forces for the purpose of major reviews of social services. Power (*ibid.*, p. 34) argues that the value-for-money focus of these audit and inspection regimes '...prioritises that which can be measured and audited in economic terms – efficiency and

economy – over that which is more ambiguous and local – effectiveness'. Consequently, '...there is a necessary drift towards "managing by numbers" which enables a drift towards centralised forms of control and the displacement of concerns about good policy by concerns about good management'.

The Labour government elected to power in May 1997 introduced far-reaching proposals for the 'modernization' of local government, addressing perceived deficiencies in relation to democratic legitimacy, capacity for community leadership, relations with local people, quality of management and services and standards of conduct (DET 1998b). Subsequently, the government produced broader proposals for 'modernizing government', the key elements being firstly, ensuring that policy making is more forward looking, joined up and strategic; secondly, making public services more responsive to the needs of users; and, thirdly, delivering high quality and efficient services (Cabinet Office 1999). In relation to local government, the government's strategy for modernization comprises a number of inter-related components: reforming structures for political management; improving 'local democracy' through a duty to consult people more extensively and reform of local elections; strengthening local accountability through reforms to the system of financing local authorities; enhancing standards of conduct of elected members and officers; improving standards of performance in delivering services through Best Value which replaces Compulsory Competitive Tendering (CCT); and a 'Beacon Council' scheme for authorities which can demonstrate 'excellent' performance in designated areas.

It is primarily through Best Value that this 'modernization agenda' continues, and indeed strengthens, the development of evaluative systems and performance management. The duty of Best Value, operative from April 2000 requires a local authority to '...make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness' (House of Commons 1998, Clause 3.1). Three key aspects are: first, that service quality and expectations of users, customers and 'stakeholders' are as important as price; second, that there is no compulsion to put services out to tender (although competition is seen as an 'essential management tool'); and, third, that local authorities must be responsive and accountable to their local communities (as well as to central government). The Best Value framework requires authorities to undertake performance reviews of all their services over a five-year period in such a way as to *challenge* the rationale for all functions and activities, *compare* the performance of services with the best on offer in both the public and private sectors, *consult* with users, the wider public and key stakeholders to ascertain their wishes, requirements and views, and test the *competitiveness* and procurement strategy of services. Authorities are required to report within a national framework of performance measures and standards (as well as developing appropriate local

measures) and produce Local Performance Plans for local people outlining current performance and plans for improvement. Finally, a rigorous regime of audit and inspection is backed by powers of intervention for the Secretary of State in the event of 'clear performance failure' (*ibid.*).

Best Value can be seen as representing a strengthening of the framework of 'performance management' for local government, with a more elaborate structure of performance standards and improvement targets with strengthened central definition, a tighter regime of external audit and inspection, and a more rigorous approach to sanction and intervention by central government in the event of designated performance 'failures'. Moreover, the requirement to subject all services and activities to 'fundamental' review which poses an effective 'challenge' to the *status quo* represents a more rigorous test of performance than authorities have faced in the past. Consequently, it is evident that Best Value requires local authorities to develop rapidly their capacities for evaluation, for public consultation and involvement, and for learning, innovation and continuous improvement. A key question, therefore, concerns the prospects for local government to develop such capacities in relation to evaluation and learning.

DEVELOPING EVALUATION CAPACITY IN LOCAL GOVERNMENT

Recent research, undertaken for the Local Government Management Board (LGMB), into approaches to evaluation in British local government (Sanderson, *et al.*, 1998) found considerable variation between local authorities and between different services in extent and form of development of evaluation and review. [It should be noted here that the Local Government Management Board was restructured in 1998 and the Improvement and Development Agency (IDA) has taken on functions relating to management and performance improvement in local government.] The variation reported above, was attributable to the uneven impact of 'external' pressures and requirements, the different characteristics of services and the local discretion and autonomy retained by authorities (reflected in both political and managerial terms) and manifested in variations in 'organizational culture'. However, a broad picture did emerge of the predominance of a 'performance measurement' approach to evaluation consistent with the 'instrumentalist' orientation of managerialism discussed above. Thus, the most widespread evaluative practice was monitoring of quantifiable performance indicators with a primary focus on input and output measures reflecting managerial interest in economy and efficiency – the influence of the CCPIs, CCT and competitive bidding regimes is evident here. Under the influence of the Citizen's Charter there was an increasing concern with 'customer satisfaction' as a key measure of service quality and a consequent expansion in quantitative 'market research' as the dominant managerialist strategy for seeking the views of service users. This research tended to be 'consultative' in orientation, not challenging managerial value systems, although there

was evidence of increasing concern by local authorities to develop more 'participative' approaches based, for example, on citizens' panels and focus group research.

The research found a very unsystematic approach to evaluation research to inform project appraisal, to assess effectiveness in achieving objectives in outcome terms, to undertake impact assessment or to review implementation processes. Moreover, there was relatively little evidence of participative, 'multi-stakeholder' approaches to evaluation, while many managers and elected members are sceptical of qualitative approaches. It is these forms of evaluation which have been identified as having the greater potential to inform learning and improvement (cf. Torres *et al.* 1996; Rist and Joyce 1995). While many officers (and elected members) in authorities recognized the importance and potential of these forms of evaluation, there was evidence of a number of significant obstacles to the development of a more systematic approach to evaluation as a key driver of change and improvement.

The way in which officers and elected members in the case study authorities discussed obstacles to evaluation suggested that these are related closely to key aspects of organizational culture. Thus, certain features of the political context of management were seen as important – members tend not to like 'bad news' and may be reluctant to 'put themselves on the line' with explicit objectives. Heavy emphasis was placed upon time pressures and lack of resources for evaluation indicative of a low priority being given to evaluation research. We interpreted these findings as 'overt' characteristics of organizational culture and identified three key 'cultural attributes' which were antithetical to evaluation. First, the lack of a strategic approach to policy and service development, with insufficient focus on purpose, desired achievements (objectives) and processes of review. Second, the perception of evaluation and review as a threat both to the role and integrity of service professionals and to levels of service provision, especially when it is perceived as 'imposed' from the corporate centre. Third, a focus on 'negative' blame/punish reactions to mistakes, problems or poor results rather than 'positive' reinforcement and support for addressing problems, recognition for achievements and learning from mistakes (Sanderson *et al.* op. cit., p. 33).

These factors produce a context in which evaluation and review are either perceived to have low priority relative to the 'mainstream' business of setting policy and budgets and delivering services or are actively resisted as a threat or imposition. As a result, inadequate resources are allocated for evaluation and review activities; in particular, there is a lack of time for staff to spend on evaluation and review, given that 'more pressing work' will be given priority and a lack of money in constrained budgets, given a priority to protect front-line services, especially for relatively more costly research to assess service quality. A shortage of staff skills and expertise in evaluation can result if low priority is given to such skills in recruitment

and in constrained training budgets. Moreover, a lack of commitment to, and support for, evaluation and review in service departments often resulted in corporate initiatives to develop review processes being seen as a 'nuisance' by service managers. This was particularly so if insufficient time was allowed to consult, persuade and support changes in thinking and working. The danger then was that performance review became a 'superficial paper-chase', subject to manipulation and avoidance tactics and became thereby discredited, making the task of culture change even more difficult (*ibid.*, p. 83).

The findings from this research indicate that local authorities face a considerable challenge in developing the capacity for evaluation implied by the requirement to develop systematic performance review systems within the Best Value framework. Some of the key implications for authorities are outlined in the concluding section.

CONCLUSION

The first point to emphasize in conclusion is that performance measurement systems have important limitations as 'drivers' of change and improvement, particularly to the extent that these systems are externally imposed. The research for the LGMB found support for the view that external pressures have played a key role in promoting a greater focus on performance in local government but the emphasis has been much more on enhancing accountability than on using performance measurement as an engine of change. Indeed, Schick (1999, p. 18) argues that in order to achieve this purpose performance targets must:

- (a) be few in number, so that they send strong signals as to what is expected and provide a clear basis for assessing progress;
- (b) challenge agencies to make changes in programs or operations that will enable them to meet targets;
- (c) are jointly selected by each agency and the central authority responsible for overall government performance;
- (d) are monitored and audited to ascertain whether the targets have been met;
- (e) are part of a larger managerial framework that encourages agencies to improve performance.

Two key requirements can be highlighted here. First, local authorities need to develop the *capacity* to achieve change and improvement based upon evidence of performance produced by evaluative systems. Second, the *nature* of change must be consistent with the key goals and objectives expressing required/desired outcomes. There is a significant danger of distortion of focus and action if the key measures and targets in performance measurement systems do not capture the 'essence' of primary values and objectives (cf. Sanderson 1998; Smith 1993). It is also essential to ensure that the perspectives of all major stakeholders are embodied in the key measures and targets; the danger of managerial interests dominating in top-down approaches has been highlighted above. Authorities need to develop more

participative approaches to performance measurement and evaluation, taking seriously notions of empowerment, particularly in relation to service users and citizens and front-line staff. This will help not only to ensure appropriate definitions of objectives and performance targets but also to spread ownership and develop capacities for evaluative enquiry amongst key stakeholders.

Indeed, perhaps the key implication for local authorities to be emphasized is the need to change the organizational culture to ensure that this capacity for evaluative enquiry is embedded in the 'normal' routines and 'ways of thinking and working' of the authority. A number of key attributes of a culture of evaluation and learning can be identified which are consistent with the findings of Preskill and Torres (1999). First, a capacity for critical reflection and questioning and challenging existing practices, beliefs and values – overcoming the 'blame culture' which promotes manipulative behaviour and achieving a 'high trust' culture which rewards honesty and risk taking. Second, a capacity for effective dialogue, collaboration and communication – breaking down both vertical and horizontal barriers to communication and extending beyond the authority to include external stakeholders. Third, a capacity for research and analysis to provide sound evidence upon which to base decisions, including recognition of the value of qualitative approaches which can help to foster dialogue with stakeholders and help to include and empower 'subordinate' interests (Vanderplaat 1995). Fourth, a capacity for action planning and effective implementation to ensure that the required changes are achieved in practice.

The development of such capacities requires a 'supportive infrastructure' of systems and processes that can reinforce the required attitudes, behaviours and practices in daily routines. Such an infrastructure includes several components. The first component is an approach to political management of the authority that not only allows these capacities to develop and flourish but actually promotes member leadership of the development and use of evaluation processes and member commitment to using evaluation results to inform decisions. Our research found little evidence of an appreciation of this role but it is a key issue given the potential for strong political control and direction to dominate the ways of thinking and working in the authority. Second, there is a need for strategic level processes to articulate vision, purpose and key objectives and to provide a framework of leadership and direction.

The third element is the development of performance review and evaluation systems which instil systematic scrutiny and challenge of all aspects of the organization – purpose, values, objectives, policies, services provided and broader organizational structures and work processes – and involve all stakeholders in a participative relationship. A fourth element is supportive training and development for both staff and elected members to ensure that they understand the changes required and their rationale, reinforce the

values, attitudes and behaviours involved, and develop the knowledge, skills and expertise needed for the new ways of thinking and working.

However, notwithstanding the importance of such a supportive infrastructure, the development of structures, systems and processes can only be part of the picture; people have to be committed, empowered and enabled to make evaluation 'work' for the authority. Otherwise, as has been said, there is a danger that performance management and review will degenerate into a mechanistic process, a superficial 'paper-chase', subject to manipulation and avoidance tactics and become thereby discredited, making culture change even harder. This process will be exacerbated to the extent that the motivation for performance management is to control staff, budgets and activities rather than to learn about what is going on and to achieve continuous improvement.

Looking at the implications of this analysis for the Labour government's Best Value regime, it can be argued that the success of Best Value will depend to a significant degree on the ability of local authorities to develop an appropriate 'culture' of evaluation and learning, not simply on putting in place structures, systems and processes relating to performance review. This represents a major challenge for organizational change and development that is likely to require considerable time to achieve. There are early indications of increasing recognition of this challenge by local authorities (Martin *et al.* 1999) but it remains to be seen whether local government can rise to the challenge and whether the approach to 'regulation' pursued by central government will encourage or hinder the required changes.

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W W W . B L A C K W E L L P U B . C O M

LOCALIZATION AND PARTNERSHIP IN THE 'NEW NATIONAL HEALTH SERVICE': ENGLAND AND SCOTLAND COMPARED

BOB HUDSON AND BRIAN HARDY

This article examines some important and interesting differences in the designs of the 'New NHS' in England and Scotland in respect of two common guiding imperatives – localization and partnership. In examining the view of key local stakeholders faced with introducing the changes, we contrast the generally more flexible and less prescriptive approach in Scotland. In England there was, initially, a raft of guidance from the centre: in Scotland, by contrast, there was virtually none. In England the prime bases for localization will be PCGs and PCTs: in Scotland they will be Local Health Care Co-operatives (LHCCs). The latter, like the English PCGs, are to be GP-led; but unlike PCGs, membership is voluntary. Underlying such redesign of the organizational architecture are some important changes in cultures and modes of governance. In particular, we note the rhetoric of a shift, at macro-level, from hierarchies and quasi-markets to networks and the perceived reality of a micro-level shift from individualism to collegiality amongst GPs.

INTRODUCTION

In a memorandum to his Cabinet colleagues on 5 October 1945, Aneurin Bevin stated, of the proposed National Health Service (NHS), that 'We have got to achieve as nearly as possible a uniform standard of service for all' (quoted in Pollitt *et al.* 1999). Such an emphasis implies a centralized and hierarchical governing arrangement leaving little to the discretion of localities or individual practitioners. In reality, the British NHS has never attained this position, with studies showing that local implementation of national policies has often resulted in significant variations in priorities, resource levels and service patterns (see, for example, Elcock and Haywood 1980). These variations are even more pronounced when the comparison is made between England and Scotland, rather than simply *within* either country. Petch (1999), for example, highlights a number of important differences, with Scotland showing a higher rate of long-stay hospital residents, a lower use of independent providers of nursing home care and social care and a lower take-up of GP fundholding.

What is distinctive about the approaches of the recent Conservative government and the current Labour government to NHS governance in respect of localization and partnership, is that they constitute a recognition of this *de facto* decentralization, and seek to institutionalize it into governing

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arrangements. In the case of the Conservatives, their 1989 NHS White Paper (*Secretaries of State for Health 1989*) stated that 'as much power and responsibility as possible will be delegated to the local level' (p. 4). The main vehicle for securing this on the provider side was to be local NHS Trusts with freedoms to take their own decisions without detailed supervision from above, while on the purchasing side it was the encouragement of fundholding status for general practitioners (GPs).

The main thrust of the NHS reforms by the Blair government is to reform the nature of decentralized *purchasing*, while leaving the provider side – for the time being – relatively untouched. Rather than concentrate upon *practice-level* purchasing, the focus of the Labour reforms is upon *locality-level* activity, and is based upon the belief that the fundholding model is both inequitable and inefficient (Audit Commission 1996). However, the exact form which this locality-based model will take varies significantly between England and Scotland. This article examines these differences and reports upon some formative research into the emerging position in England and Scotland – the reforms did not go 'live' until April 1999. It has three main sections. The first examines the main similarities and differences between the two nations in respect of localization and partnership working; the second reports on the research findings; and the final section places both of the earlier sections in a broader theoretical context examining possible shifts in modes of governance between hierarchies, markets and networks.

LOCALIZATION AND PARTNERSHIP IN THE 'NEW NHS'

Localizing the NHS: England

The 1997 NHS White Paper for England (*Secretaries of State for Health 1997*) proposed that the chief responsibility for purchasing health care should move from the existing 100 health authorities and 3600 GP fundholders, to around 500 Primary Care Groups (PCGs) each covering 'natural communities' of around 100,000 population. The White Paper describes them as comprising all GPs in an area, together with community nurses, who will take responsibility for commissioning services for the local community. They will be accountable to health authorities, but will have freedom to make decisions about how they deploy their resources within the framework of a new Health Improvement Programme (HImP) to be drawn up by the Health Authority. From April 1999, all general practices – not just volunteer fundholders – were required to become part of a PCG which will, at a minimum, manage a cash-limited budget covering the prescribing expenditure of the practices involved and their cash-limited practice infrastructure expenses. Over time, all PCGs will be required to develop so that they are responsible for at least 85 per cent of the total Hospital and Community Health Services (HCHS) and General Medical Services (GMS) expenditure for the local population – effectively collective fundholders for

a far larger proportion of the total NHS budget than was the case under standard GP fundholding.

PCGs, however, will be more than commissioning agencies. As with the various types of fundholding, the purchaser-provider split will be conflated, since the key participants – GPs and community nurses – are also providers. Each PCG will normally have a majority of GPs on the governing board who are representative of all the GP practices in the group. The governing body will also include representatives from community nursing and social services, and should have clear arrangements for public involvement. PCGs will promote the health of the local population, commission health services for their population, contribute to and implement the health authority's health improvement programme, monitor Trust performance against service agreements and develop primary care locally. Four levels of PCG status are outlined in the White Paper:

Level 1: at a minimum, support the health authority in commissioning care for its population, acting in an advisory capacity;

Level 2: take devolved responsibility for managing the budget for health care in their area formally as part of the health authority;

Level 3: become established as free-standing bodies accountable to the health authority for commissioning care;

Level 4: becoming established as free-standing bodies accountable to the health authority for commissioning care and with added responsibility for the provision of community health services for their population, including running community hospitals.

It is at the Level 4 point that a transformation takes place from the status of Primary Care Group to that of Primary Care Trust with the additional responsibility for organizing the provision of community health services currently within NHS Trusts. However, in England, it is likely that mental health and learning disability services will remain with separate specialist trusts, rather than become part of the Primary Care Trusts.

Although always having an accountability to the local health authority, PCGs will have the option of starting at any one of these levels, with an expectation that they will – in time – move towards Level 4. The Department of Health has been highly prescriptive about the nature of PCGs, with substantial guidance from the NHS Executive on their establishment (NHS Executive 1998), role (NHS Executive 1998a) and governance (NHS Executive 1998b). As PCGs develop, the role of health authorities will be increasingly confined to setting a strategic framework through the local Health Improvement Programme within which both PCGs and NHS Trusts will be expected to operate.

Localizing the NHS: Scotland

The proposals for reform of the Scottish NHS are contained in the White Paper, *Designed to Care*, published at the same time as the English version

(Secretary of State for Scotland 1997). Like the English White Paper, it foresees a move towards localization in NHS decision-making, but there is a more flexible and less prescriptive approach. There are three key elements to the Scottish system: Health Boards, Primary Care Trusts and Local Health Care Co-operatives. And to these we should add the new Scottish Parliament.

The role of Scottish Health Boards (equivalent to the English Health Authorities) will be to assess need, improve health, develop services, allocate resources and hold new Primary Care Trusts to account. As in England, this will be done through a Health Improvement Programme (referred to as the HIP, rather than as the HImP in England) which will be developed by the Boards but built upon discussions and co-operation with a range of local partners. Specifically, Boards have the responsibility for ensuring that Trusts implement the HIP through the negotiation of Trust Improvement Plans (TIPs) which will set out what the Trust will do to implement the HIP.

The Scottish Primary Care Trusts are different to those envisaged for England. The White Paper sees them as bringing together primary and community health services under a single unifying structure – a description which could certainly apply to the proposed PCTs for England – but although the Scottish Trusts will include mental health and learning disability, they do not have GPs explicitly built into their remit or governance structure. Whereas in England GPs have been handed the lead role in PCG Boards, in Scotland the PCTs still resemble traditional NHS Community Trusts and will have a Trust Board upon which there is no built-in GP majority. However, there will be a clear distinction in Scotland between Acute Hospital Trusts and PCTs, with most Health Boards covering one of each – unlike the situation in England where it is not uncommon to have ‘combined’ trusts covering acute and community services.

The Scottish version of localization is with Local Health Care Co-operatives (LHCCs) covering ‘natural communities’ of between 25,000 and 150,000. These will be GP-led operational units within the PCT, responsible for managing and delivering integrated services across a defined area. LHCCs will exist as separate management entities and they will be integral parts of the Primary Care Trusts to which they will be financially accountable but, unlike England, these groupings will be voluntary. They will have the right to hold varying extents of the budget for primary and community health services if they wish, and where they do so they will have a similar role to the English model with a triple remit of commissioning, improving the quality of primary care and improving the public’s health. And finally, unlike England, the Scottish Office issued no guidance other than that contained in the White Paper itself.

The key differences are shown in table 1.

Partnership in the NHS: the cross-national imperative

The element of localization in the NHS reforms across the two countries is characterized by the use of different means to achieve a similar end. In the

TABLE 1 *Comparison of locality arrangements in the new NHS*

Criterion	England (PCGs)	Scotland (LHCCs)
Commissioning remit for primary and community health services	Yes	Yes
Commissioning remit for acute services	Yes	No
Responsibility for providing primary and community health services	Optional	No
Mandatory or voluntary	Mandatory	Voluntary
Coterminosity with Local Authority	Partially	Possibly
GP Majority on governing body	Yes	Probably
Expectation of partnership working	Yes	Yes
Working within the HIP/HimP framework	Yes	Yes
Local accountability arrangements	Health Authority	Primary care trust
Degree of guidance and prescription	High	Low

case of partnership working, there is a greater convergence of both ends and means. In England, guidance on establishing PCGs has emphasized the importance of partnership working. It is stated that:

No one agency or group of staff is likely to be able to achieve all that is being asked of PCGs on their own. Successful PCGs will be those that can harness the range of skills necessary to learn and work together for an effective partnership which will improve patient care (para 8). ...The benefits of PCGs will only be achieved if GPs, nurses, other health professionals, managers, social services, health authorities, NHS Trusts, and the public are able to develop an effective partnership' (para 9). (NHS Executive 1998)

Proclamations of this sort are not particularly new, but they do seem to have a more committed political underpinning than in the past. In giving evidence to the Health Select Committee in its investigation of PCGs, for example, the Minister of State for Health argued that:

What the primary care groups fundamentally do ... is begin to break down barriers between services and indeed professions. There is a unique opportunity here to see the beginnings of the provision of more integrated care services than has been possible in the past (para 28). ...What we want to see in the future is all local health services not competing in secret but comparing in public (para 31). (Health Select Committee 1999)

Underpinning this expectation of PCGs, is a range of policies and proposals which require closer inter-agency relationships than in the past, including the introduction of a legislative 'duty of partnership', the production of joint

National Priorities Guidance covering both the NHS and social services, the development of Joint Investment Plans between health and local authorities, and proposals to remove legal and organizational constraints to collaboration (Department of Health 1998).

The Scottish NHS White Paper is even more emphatic about the role of partnership, with four key partnerships being identified:

- between the government and the people
- between patients and professionals
- between different parts of the NHS
- between the NHS and other organizations.

Part of this agenda is to be met through the establishment in each area of a Joint Investment Fund (JIF) to address the interfaces between primary, secondary and tertiary care, with the PCTs taking the lead on this task. Much seems to be expected of the JIF. One contributor at the Scottish Institute of Health Services Management Conference described it as 'the single most important lever to be pulled in order to achieve the changes needed' (*Health Service Journal* 1998).

As in England, there is a wider collaborative push underpinning the NHS White Paper proposals. The Chief Executive of the NHS in Scotland, for example, has recently stated that: 'We have got to get much better at focusing on outcomes, working across boundaries and at true partnership working between public, private and voluntary sector organisations' (*Health Service Journal* 1999).

Again, the more recently published action plan for community care in Scotland (Scottish Office 1998) takes up the theme from the local authority perspective: 'Many of the changes planned focus on local authorities as the lead agency. But we cannot emphasise strongly enough that joint working across all organisations is one of the most important themes of the new agenda for community care' (para 1.6).

What this section has demonstrated is that across the two countries the 'New NHS' is characterized by two guiding imperatives – localization and partnership – but that there are some important differences in how these might be realized. The next section draws upon some early fieldwork undertaken in England and Scotland which explores these similarities and differences.

ACHIEVING CHANGE: A VIEW FROM THE GROUND

In this section we report on interviews held in both England and Scotland with those involved in putting the reforms into effect. Over a brief two-week period in December 1998, this comprised interviews with 22 people – 12 in three Health Board areas in southern Scotland and 11 in one Health Authority area in northern England. The interviewees spanned a wide range of local stakeholders, including: a Health Board Chief Executive, a Director of Social Work, a CHC representative, Practice Managers and six

GPs. Our account will be analysed around a framework which encompasses six key partnerships needing to be locally developed:

- governing partnerships
- accountability partnerships
- purchaser-provider partnerships
- NHS-local authority partnerships
- partnerships with patients/publics
- central-local partnerships.

1. Governing partnerships

Collaborative relationships – at whatever spatial level – have no qualities of spontaneous growth, and therefore they need to be institutionalized through governing arrangements. It is in this respect that interesting variations exist between the three countries. In England, each PCG is to be run by a governing Board operating as a committee of the Health Authority. The Board consists of between 4 and 7 GPs, 1–2 community or practice nurses, one social services official, one lay member, one health authority non-executive director and one PCG Chief Executive. GPs may therefore opt to constitute the majority and to take the chair, and in almost every case they have chosen to do so. In a clear reinforcement of the hierarchical chain from top to bottom, the PCG Chair is formally accountable to the Chief Executive of the Health Authority, and thus to Parliament through the Secretary of State. Although the stated intention is that Board members should have equal status and work in partnership, there is some concern that the Boards may simply become 'General Practice Groups'.

The governing arrangements for Primary Care Groups are detailed and highly prescriptive, but there has been less certainty about the mode of governance for the anticipated Primary Care Trusts in England. With political encouragement and arm-twisting, almost a third of the 481 PCGs were persuaded to express an interest in achieving PCT status some two months before the PCGs themselves had officially come into existence. In a brief but important statement made shortly before the Groups went live, the Health Minister announced that the PCT Boards would *not* have a majority of GP representatives, but rather a majority of lay community members (Department of Health Press Release 1999/0098).

The position in Scotland is both more complex and more fluid. It is more complex in that there are two organizational innovations – the Scottish version of PCTs and LHCCs – and more fluid in that there is a much lower degree of prescription and mandation than in England. The structure of the PCT Boards closely resembles the structure of the prior and existing NHS Trusts. Boards are to be led by a Chairman appointed by the Secretary of State, who will be supported by a Team of up to five executives and five non-executives. There is little prescription as to who the latter should be. The early reaction of GPs to this was one of concern that this simply amounted to a 'rebadging' of the former NHS Community Trusts (*Health*

Service Journal 1998a), and to demand a statutory representation on the Boards (*Health Service Journal* 1998b). The position on LHCCs is even more open-ended. The Scottish White Paper describes them as 'separate management entities' but says nothing about governing arrangements (White Paper, Appendix B), although the impression is given that they will be GP or GP-led bodies. Unlike the situation in England, there is no requirement at all to specifically include non-GPs in any governing body.

Despite these variations, it remains the case that the reforms across both countries do put GPs in a more powerful governing position than in the past. This is not a move which has necessarily enthused GPs, whether they be members of a governing body or not. In England, a number of threats have been identified by GPs (Marks and Hunter 1998; Hudson 1999) and these are explored below.

Sustainable workloads

Concerns have been expressed over the extra demands on GP time that will arise from involvement in governance, data collection, audit and clinical governance.

GP finances

Prior to the reforms, non-fundholding GPs who overspent on their drugs budget were covered by their Health Authority, but in future this will have to be catered for within the unified budgets held at PCG level. Health Minister, Alan Milburn, nicely summarized the nature of this threat in his evidence to the Health Select Committee investigation of PCGs (Health Select Committee 1999):

If you have a health authority chief executive jumping down a GP's neck that does not always make a great deal of difference. Colleagues jumping down a GP's neck sometimes do. If I am a good GP and if you are an under-performing GP, I shall be pretty interested in your performance. If you over-prescribe and over-refer that will affect me, and it will certainly affect the budget and services which I can provide for my patients. My guess is that I shall want to do something about your performance. (Examination of Witnesses, para 32)

The GP-patient relationship

A further factor, and one which is related to finance, is the effect of budget shortfalls on the GP-patient relationship. Since April 1999, primary care has been effectively cash-limited, with previously separate budgets for hospital and community health services, general medical services, staff premises and computers and prescribing all put in one 'cash-limited envelope'. The concern of GPs is that unpopular rationing decisions will now have to be made at PCG level, and that this in turn will conflict with their role as 'patients' advocates'.

GP independence

The compulsory nature of PCGs has led some to see their creation as a threat to the traditionally independent and autonomous nature of general practice. Political assurances to the contrary are common (see, for example, Health Select Committee 1999, Examination of Witnesses, para 34), but this has been insufficient to quell a fear that the hidden agenda behind PCGs is the end of independent contractor status.

In England, these concerns coalesced into a considerable degree of resistance to the introduction of PCGs, particularly on the part of former fundholders (Shallcross 1997). The more gentle and flexible approach in Scotland has produced less resistance. The voluntary nature of LHCCs means that independent contractor status is seen to be less under threat, but former fundholders have seen their purchasing power significantly diminished for LHCCs, where they are established, will have no commissioning remit for acute care. One interesting reason given by a number of our interviewees for this different approach in Scotland was the former Health Minister himself – Sam Galbraith. In the view of one Health Board Manager: 'Arguably, one of the reasons we have got what we have got in Scotland is that he doesn't believe it would be a good thing to give GPs the authority and the control of secondary care budgets'.

As well as being a senior politician, Mr Galbraith is a Senior Consultant Neurologist. One early attempt to gauge Scottish GP opinions on LHCCs revealed views not dissimilar to their colleagues in England, with concerns about the commitment of time, insufficient management costs, clashes between ex-fundholders and non-fundholders, and a general feeling of insufficient consultation (Coleshill *et al.* 1998).

2. Intra-NHS accountability partnerships

The key issue in intra-NHS local accountability arrangements is the relationship between the new local organizations and their partner health authorities/boards. Given the history of highly centralized and hierarchical management of health policy in the UK, the cultural orientation has been towards uniformity and consistency. Localization, on the other hand, implies an acceptance of diversity and creativity which public service traditionalists may find hard to accept. The study by Smith and Shapiro of locality commissioning, for example, uses the description 'holding on while letting go' in the title to encapsulate the dilemma of the health authority-GP relationship, with health authorities often concerned about the risk of letting go responsibility for decision-making and resources (Smith and Shapiro 1997).

In England, health authorities do have the lead in drawing up the Health Improvement Programme which should, in principle, shape PCG activities, and in the first phases of development the PCG Board operates as a sub-committee of the HA. However, the HA only has membership of the PCG Board through the presence of one HA non-executive director. Health

Authority concerns may arise from the threat posed by PCGs to the wider strategic task of ensuring equity across a wider population, the need to avoid destabilization of providers and the obligation to pursue nationally identified priorities and targets – concerns which will be intensified where there are several PCGs in a Health Authority area, each operating at different levels. Also, since the very GPs who were leading fundholders are also likely to be leading PCG players, HAs may have concerns about the willingness of these individuals to acknowledge accountability to the HA. This helps to explain the finding by Marks and Hunter (1998) of striking differences in the extent to which HAs were thought to be supporting the early development of PCGs: some were felt to be moving too quickly, others were not providing the necessary facilitation and a number were bogged down in acrimonious disputes with fundholders.

The Scottish system, with its tripartite structure, has a longer line of accountability. As with England, Health Boards will take the lead in drawing up a Health Improvement Programme. The HIP was described by one Health Board Manager as vital: 'it becomes the absolute key, the only accountability flow we have with the Trust and the LHCCs'. In fact, in Scotland, there is an additional instrument of accountability, the Trust Implementation Plan (TIP). The signing off of the TIP by the Health Board will represent its agreement to allocate the funds required, and for the immediately following year will determine the Trust's budget. Together, the HIP and TIP will set out the range and quality of services that each Trust is to provide and the funds to be allocated to do so. Most of the tensions liable to exist in England can also be expected to be found in Scotland, although the position with former GP fundholders may be less significant. Fundholding in Scotland grew at a slower rate than in England (Lapsley *et al.* 1997), and generally involved a closer accountability to local Health Boards since the latter retained fundholding accounts and typically owned the premises from which fundholders worked. One of our interviewees referred to discussions about the possibility of adding another link to the chain of accountability by having LHCC Implementation Plans – comparable to TIPs. Such a mechanism, it was argued, could potentially counter the criticism of GP fundholders that when they purchased services it was rarely on the basis of any proper assessment of need.

The evidence of our fieldwork was that there were two important facets of the changes apparent in Scotland but not in England. The first was that in Scotland there was considerable uncertainty about formal accountability arrangements: 'there are big issues about accountability which are not clear at the moment'. The second was that the success of the current changes was widely thought to depend less on such formal arrangements – essentially hierarchical – and more on the management of less formal networks (something that will be explored below).

The uncertainty was about all relationships: between Management Executive, Health Boards, Trusts and LHCCs. There was a widespread view that

whatever else it does the new Scottish Parliament will reduce drastically the number of HBs. In the meantime there was considerable doubt about the role of HBs. In the view of one current HB manager, their current role is in 'holding the ring...facilitating, making sure all the bits fit together still; and dividing up the resources'. Some people in HBs, he argued, would contend that they still had a role in strategic planning. This, he argued, was unlikely to last long: 'The Trusts aren't just going to work as an operational entity, they are going to get into their own strategic planning and assessing need. ...Because they are so big'. HBs, according to this view have 'an early role in ensuring it all happens [but] their role will dramatically weaken'.

3. Purchaser-provider partnerships

Relationships between purchasers and providers of health care were the centrepiece of the internal market created by the Conservative government, but the split has also been retained in the New NHS. The picture is complex. PCGs will have a commissioning remit of some sort depending upon their chosen level, but most of those involved in PCGs are also individual and direct providers of services, mainly GPs and community nurses. However, while there is some conflation of the two roles in respect of individual professionals represented on the PCG Board, the link between PCGs and NHS Trusts is less close. NHS Community Trusts (or the community side of combined acute and community trusts) have no direct representation on the PCG Board – the community nurse representative is employed by the Trust, but is there to represent the interests of fellow nurses. Acute NHS Trusts have no representation at all, even of an indirect nature, even though the PCG commissioning remit affects the whole spectrum of acute services. To some extent the purchaser-provider distinction will be further eroded when Primary Care Trusts evolve, and primary and community health services merge into a single organization combining the two roles. Acute Trusts will, however, remain separate, as will stand-alone Trusts catering for mental health and learning disability services should this turn out to be the preferred model in England.

Although the Scottish tripartism is more organizationally complex, in some respects it is structurally simpler. First, there is a simpler structure for NHS Trusts. NHS Trust numbers have been cut from 48 to 28, and a clear distinction is drawn between Acute Trusts and Primary Care Trusts, with the majority of Health Boards having responsibility for one of each. Unlike the probable position in England, there will be no specialist stand-alone Trusts for mental health or learning disability. As Coleshill *et al.* (1998) note, under such a system there will no longer be a 'market' for purchasers to choose services from. Secondly, as already noted, the Scottish system ostensibly has a clearer tool of accountability in the form of Trust Implementation Plans. And finally, the commissioning role at locality level is more limited. Neither PCTs nor LHCCs will have commissioning responsibilities over acute services, which will be the responsibility solely

of Health Boards. It is in these respects that Coleshill *et al.* (*op. cit.*) talk of 'a return to a more centralised, hierarchical model of management, with little room for the social entrepreneur' (p. 83). Our evidence was that the position is likely to be much less clear cut. There was, for example, said by one Health Board Manager to be: '...a real debate about what level of accountability is going to the LHCC...and what budgets will be and what responsibility for budgetary control'.

Associated with this uncertainty is the interesting question of what there is left for PCTs in Scotland if LHCCs develop sufficient skills and ambition to take on or change their functions. According to one Health Board Manager, quoted at length below, there was:

no power debate overtly at present but in time that will happen, no question about it.... Some LHCCs will want to take on quite a bit quickly and others will not.... They'll not get smaller, if anything they will get bigger. And if they have a fair degree of devolved authority and responsibility the question will come up: 'well what is the PCT actually about here'.

The precise role of PCTs was described by one GP as 'one of the real tensions'. The question was whether the PCT was: '...going to hold the ring and enable and allow devolved management or is it going to have to control everything because of the risk'. And a large part of the risk for the PCT was in 'depending on the goodwill of GPs': 'it is very easy as a GP to be bloody minded and cause havoc'. In principle, of course, the scope for being bloody minded may be greater in a voluntary system – even if the likelihood of someone being so is somewhat less.

Although there were some concerns expressed about the intentions of GPs in this respect the majority of GPs we interviewed were clear that they did not want to run the PCTs. As one said: '...they definitely don't want to manage the PCT; they want to be able to get their clinical concerns over to the PCT'. According to this GP and to GP colleagues in the locality, such influence required GPs to be in a majority on LHCC Boards – 'because we're taking the financial risk' – and for LHCCs to be 'plugged into the PCT at the highest level: plugged solidly into the management team and seen to be influencing at that level'.

There was, at the same time, a recognition that unless other primary care professionals were closely involved in both LHCC and PCT management 'and having some sense of ownership, it just won't work'. This advocacy of greater team working and of network rather than hierarchical working practices was a significant point made by a range of interviewees, in Scotland in particular: it is a point we return to in our concluding section.

4. NHS-local authority partnerships

The intersection outside the 'NHS family' which has attracted most attention is that between the NHS and social services. Traditionally this relation-

ship has been at a strategic authority-wide level between health authorities and social services authorities, but the NHS reforms now require a more localized collaborative focus. Prior experience has not been encouraging. Partnerships with social services were identified as a notable weakness of Total Purchasing Pilots (one of the forerunners of PCGs), which were found to be making little explicit reference to national community care policy initiatives or to relevant documentation and guidance (Myles *et al.* 1998). Social Services agencies have been allocated one seat on PCG Boards, and although this is a recognition of their significance, some see it as tokenistic. Since the nature and structure of the Scottish LHCCs is much less explicit than English PCGs, there is accordingly little clarity about the intersection between LHCCs and Social Work Departments. The blueprint for community care in Scotland (Scottish Office 1998) is silent about the potential of this relationship, preferring to emphasize the more traditional intersection through community care planning and the fresh opportunities offered by the Joint Investment Fund.

The focus upon the traditional health-social services relationship in PCGs does not replace the need for corporate collaboration across the whole of the local authority in order to address inequality in its broader form. In both countries, there is a recognition of the importance of these links, and a number of strategies for addressing them. In England, the Green Paper on Public Health (Department of Health 1998a) proposed the placing upon local authorities of a duty to promote the economic, social and environmental well-being of their areas – something which requires a close relationship with NHS agencies. It also encouraged local authority participation in HA planning activities, with reciprocal arrangements for Directors of Public Health to attend relevant meetings of each local authority. In England particularly there is some tension between the focus upon health inequality in the Green Paper, and GPs' leading PCGs with a responsibility for addressing health inequalities. The equivalent strategy for Scotland (Scottish Office 1999) similarly refers to the need to identify best practice in existing council partnerships for promoting the economic, social and environmental well-being of local communities.

Amongst our interviewees in Scotland there was considerable doubt about how NHS-local authority relationships would develop: for example, local authority representation on LHCC Management Boards was described as 'a maybe'. One local authority had put forward a case for social work involvement directly on PCT Boards but had received no feedback from the Scottish Office. One argument for greater involvement of this kind was the size of the health budget following devolution. As one Health Board Manager remarked; the £5 billion budget, '...without a very high degree of public accountability isn't sustainable. How to get the public accountability – one way is through elected members'.

There was also some scepticism about the readiness of GPs to treat work-

ing with social work departments as a genuine partnership. According to one Director of Social Work.

...I'm not sure GPs are at a stage where they could effectively interface with those individuals at present. I don't know that it would turn into anything more than a slagging match at present. I don't think they understand the pressures on Social Services.

In England, we found little argument about the need, in principle, for horizontal integration extending beyond health professionals to include social services' representation. Concerns were, however, voiced about practicalities. First, whether one social services representative, however able, can adequately represent broader local authority interests (e.g. housing). Second, how dual, personal, accountability to local authority and health authority will work in practice. Third, the sheer complexity of current partnership structures and initiatives. And fourth, the perennial issue of differing cultures: the view from a practice manager that 'expectations of Social Services are totally different from ours' [i.e. from the NHS]; and the view from a senior health authority manager – keen to strengthen partnerships with local authorities – that 'at the moment we don't share enough common understanding or common language with the local authority'.

The early experience of shadow social services representatives we interviewed was that initially PCGs were 'fairly introspective, getting themselves sorted out: it is largely a clinical, medical agenda'. And although 'quite interesting', roughly 80 per cent of such discussion was 'not immediately relevant to social services'. Although there were some doubts about social services' remit and responsibilities being properly understood by some PCG members, there was acknowledgement of the way in which one group of GPs had sought to avoid GP domination – only to be over-ruled by the NHSE regional office.

5. Partnerships with patients/publics

One of the arguments in favour of more decentralized systems is that they are more in touch with local people, both as individual users of services and as local communities. Previous attempts to localize the NHS have not been notably successful in this respect. GP fundholders were obliged to produce an annual practice plan, but patients' views rarely featured in this. The Audit Commission (1996) estimated that only 4 per cent of the plans contained a description of what the practice's patients thought about hospital and community services. Studies of forms of locality commissioning in England prior to the introduction of PCGs do not suggest much improvement (Smith *et al.* 1997), with GPs generally appearing to be ineffective collaborators with community groups or supporters of participative activities (Taylor *et al.* 1998; Mays *et al.* 1998). Guidance on developing PCGs requires finding ways of involving the public, and the poor record of achievement in prior initiatives suggests this will be a difficult task.

Once again, the Scottish White Paper shares this concern to engage with patients and the public, but sees it happening at the level of Health Boards and Trusts, rather than that of LHCCs (paras 36–40). Our evidence was that engaging the public remains an aspiration rather than a reality. One Health Board Manager said frankly that: 'we have not engaged the public. We have engaged the CHC as a proxy for the public, GPs as a proxy for the public'. Another view – from a GP – was that he had been trying, unsuccessfully, for five years to get patient participation in his group practice. It regularly fell down, he said, because fellow GPs were 'frightened of it'. There was, in his view, a clear need to get the public involved and to 'get beyond' CHCs which typically 'seem to be only interested in failures'.

6. Central-local partnerships

It is in this final respect that the English and Scottish systems differ most markedly. Despite new localized structures, the NHS in England remains highly centralized, with a clear chain of command from the Department of Health through to the National Health Service Executive and its regional offices, health authorities, trusts and PCGs. The clearest reflection of this for PCGs is the high level of detailed and prescriptive guidance from the NHS Executive which has accompanied their development (see NHSE 1998; NHSE 1998a; NHSE 1998b) – an implementation strategy which has left very little scope for local flexibility.

In Scotland, NHS responsibilities are located in a department within the Scottish Office, and the decision was taken there to issue little or no guidance to supplement the White Paper. One interviewee contrasted the 'really chunky bit of work' done in England (on clinical governance) with the 'two sides of A4 [in Scotland] from a group which is fairly relaxed: nothing like the approach that's been taken in England'. However, the main preoccupation in the Scottish NHS is with the likely impact of the new Scottish Parliament as much as with the NHS White Paper – indeed the lack of guidance on implementing the latter can be seen as stemming from a form of planning blight arising from the former. Even the White Paper acknowledged that 'the creation of a Scottish Parliament is intended to ensure that in the future Scottish solutions are found to suit Scottish circumstances' (para 2), and nowhere is this more true than with the NHS whose activities, as indicated above, take up around one-third of the Parliament's £15 billion budget. The White Paper is described as laying the foundations for the work of the Scottish Parliament (para 10), which will be free to decide the details of its relationship with health bodies, including funding arrangements, the education and training of health professionals, and the terms and conditions of service of NHS staff and GPs.

Unlike the Welsh Assembly, the Scottish Parliament will have both law-making powers and the power to raise additional revenue (Hazell and Jervis 1998). This in turn is related to the different attitude and value base in Scotland, where analyses of the annual British Social Attitudes Survey

(Jowell *et al.* 1996) have repeatedly demonstrated a willingness to support more spending on health, education and social care, if necessary by increasing taxation. For example, 60 per cent of people in Scotland are said to believe that income should be redistributed from the better-off to the less well-off, while only 43 per cent in southern England endorse such a view. According to one of the interviewees in our study there were:

...clear indications that structural change will be considered by the new Parliament. [This was] a fundamental reason why the guidance is pretty woolly and pretty much non-directed.

However, awaiting the new Scottish Parliament was not the only reason given for the 'much lighter' guidance in Scotland than in England. In part this was said to be due to a wish to promote diversity not uniformity; although there was a widespread belief that such diversity was inadvertent rather than planned. In the view of one interviewee there was little 'sense of purpose from our people at the top'. According to another: '...I know there isn't a plan – I know that people in the Scottish Office didn't have a plan: they are making up the plan intuitively as we go along'.

CONCLUSION

In its 1998 White Paper, *The New NHS. Modern. Dependable*, the government sets out clearly what is described as a 'third way' of running the NHS – a system based on *partnership*, which is set down as one of the six guiding principles of the new service. Not only will there be an abolition of the 'divisive internal market system of the 1990s' but there will be 'no return to the old centralised command and control systems of the 1970s'. In effect this signals a move away from – though *not* the ending of – both rigid hierarchy and quasi-markets (although they remain in the field of social care) towards network working. This is couched in terms of a legal duty of partnership extending not just within the NHS 'family' but across health and local government and much more broadly to embrace the voluntary and private sectors.

It would be easy to overlook the extent of the cultural changes involved in such shifts in modes of governance. Mirroring this macro-level shift from hierarchies and quasi-markets to networks is the micro-level shift from individualism to collegiality amongst GPs. This is not to suggest either that hierarchy has been the sole mode of governance in the past or that it has now been wholly replaced. Indeed, on the contrary, there were some interviewees in England who argued forcibly that localization is being pursued simultaneously with greater centralization.

Another important facet of the culture shift is from what one health authority manager in England described as the dominance – for the last 7 or 8 years – of designing tools and levers for managing secondary care to helping embryonic PCGs design the levers and tools for primary care development. This same interviewee foresaw a two-fold task for some PCGs, at

least those with sufficient confidence and ambition: first, to see how 'to get independent from the Health Authority as quickly as possible'; and second, 'to take services away from inefficient Trusts'. His own concern was not to see health authorities fighting to preserve hierarchical control but to facilitate such short-term ambition amongst PCGs turning into a debate about creating 'a totally different way of running the system'. This vision, as yet unclear in any detail, would entail a move from a market-driven commissioner/provider mentality and from a hierarchical concern with power and accountability relationships towards partnerships across the complex network of health and social care providers locally. Unlike markets or hierarchies – where the central coordinating mechanisms are, respectively, the essence of, and central coordinating mechanism of, networks, is trust (see Thompson *et al.* 1991). As one Health Board manager put it:

Ultimately this whole system will work because people trust each other and are honest with each other, use information correctly with each other. It will not happen because you hold a budget: that is a fallacy.

Notwithstanding such ambitions, it was clear that there was much uncertainty in the field at the time of our study about the degree to which clear hierarchical relationships between central government (Whitehall and Scottish Office), Management Executive, Health Authorities/Board, PCGs/PCTs and LHCCs remain and how they will operate. There are important issues of accountability to be clarified in both countries.

What was striking, in Scotland especially, was the widespread perception that the principal task for managers at all levels is now rapidly becoming network management and development. One Health Board Manager expressed this view, as follows:

It's a network, we are all in a network.... And I always say that the hardest stuff I do is about partnership and what is called soft work. It is easy going in and sorting out a gastro-enterology service or writing a specification on how dermatology should work. But making partnership work, that's hard work, it is difficult. It is often seen as soft, but it is really hard.

The job for managers was to work in difficult, grey areas 'where you have influence without direct power'. Similarly, one senior Health Board manager spoke of the 'need for people in my sort of job being different animals, working at the boundary'. It was no longer a question of 'being at the head of some sort of hierarchy'; what is needed is 'a different set of competencies', exerting influence not power.

According to a GP in this same locality, the Health Board's primary role was as 'the networker; the people that push things into the system and bring the appropriate people together'. This in part reflected what was widely perceived as the changing reality of Health Boards having little power but much influence. In part, too, in his view, it reflected the prevail-

ing GP culture. We, are, he said, 'a Presbyterian lot' who 'stand on their own' and:

a very individualistic bunch; we are not hierarchical, we have little liking for line management. It is very much equals and peers amongst GPs. But I do see the GPs working collaboratively. It is not as other professional groups fear, that the GPs want to be there as the conductors of the orchestra.

A fellow GP similarly argued that the new arrangements marked a shift from previous hierarchical management arrangements.

It is important that we try and reassure people that we are not trying to substitute one command and control system for another. This is different; we are looking at these integrated networks and looking at links, extended teams, real teams.

Asked whether this wasn't at odds with the traditional perception of individualist GPs he said that 'GPs are now team players – and mavericks will be marginalised'. In the view of another GP there was a general feeling amongst her colleagues in Scotland that 'we can work together and improve things'. This, indeed, she argued, was the only incentive for getting together voluntarily in LHCCs: '...I don't think there are any rules at all, other than that they are supposed to come together for all the altruistic reasons, for the good of everybody's health'.

One of the most notable differences between the organisational arrangements in the two countries is this voluntary nature of GPs' involvement in LHCCs in Scotland; which raises the question of what incentives there are for GPs to be involved. This question elicited some interesting replies from both GPs and other interviewees. One of the most interesting – and to the cynical, one of the most surprising – was, as indicated above, that the primary incentive is simply to provide a better service for the patients and for the local population. According to one health manager: '...There is no financial incentive. It is about being involved and ultimately being good for clients and patient care'.

Similarly, according to another senior Health Board manager, it is to have: '...a real voice in the way in which services are developed; this is what is needed for the people in "x". That's quite an altruistic thing, but then altruism is a driver, is an incentive'. In other words, it was said, this represents an appeal to GPs' better nature. Similarly, according to a GP in a different locality in Scotland, the incentive for involvement is: '...a sort of altruistic feeling that you actually do know what it better for your patients and what sort of services are needed in the area'.

Asked about sticks and carrots, the only discernible stick was said to be fears about what would happen if there was overspend on drugs' budgets. Carrots too were 'difficult to discern: the only carrot can really be the feeling that you can get your local community services how you feel they should

operate'. Or, as another health manager memorably put it when asked what sticks there are: '...you end up hitting them with a carrot, that's the problem. I don't think there are any sanctions'.

In our fieldwork we interviewed GPs in both England and Scotland to whom collegial working was a reality not an aspiration. It is likely that we saw an unrepresentative group of GPs – those sufficiently committed to the current changes to be involved in helping effect such change locally. But there was no doubt about their intention to avoid supposed GP dominance of the new arrangements. In some parts of the North-East they had put in place shadow structures where they had minority representation – only, as indicated above, to be overturned by the NHSE.

It is also, the case, however, that not all interviewees were as sanguine about the commitment to collegiality amongst the generality of GPs. According to one CHC representative, for example, GPs:

know nothing about 'community structure' or how people can raise issues locally. Why should they? For 10 years they have been trained to be independent, to always be right...not particularly to work together, because they work on their own; certainly not to take co-decisions or to think about wider pictures.

In general, it must be said, there was more optimism and confidence about partnerships developing in PCGs in England than in LHCCs in Scotland. Even so there was some concern about collegiality and partnership working extending across PCGs. Here at least initially there is an important co-ordinating function – a 'ring-holding role' – for health authorities.

What this exploratory study does point to is a valuable opportunity to explore how networks respond to different forms of steering. The official narrative of PCGs involves much top-down prescription and does so within a highly centralized approach to partnership working covering the setting of national objectives, the development of national priorities guidance, the production of national service frameworks and the development of performance assessment frameworks (Department of Health 1998b, 1998c, 1999). These measures amount to an unprecedented degree of centralization in this field of policy and, far from constituting some new 'third way', seem to more closely resemble a traditional control and command structure. In terms of the policy analysis debate, it is a position which remains focused upon the 'delivery' end of the policy process, and attempts to model a rational set of sequences involved in successful implementation. The Scottish approach – whether by design or as a result of 'policy blight' arising from the wait for the Scottish Parliament – is more explicitly rooted in a network model which reflects the shift from a system of 'government' to one of 'governance' characterized by self-organizing, inter-organizational networks (Rhodes 1997).

In practice the two approaches co-exist, albeit with differences of emphasis. Both involve forming new networks and revamping established

alliances; and just as marketization was undermined by networks (Newman *et al.* 1998) so will the new hierarchical approach face similar implementation dilemmas. The account of our fieldwork clearly shows how 'trust' (rather than command or price competition) is seen within the field as the prime coordinating mechanism, and this will be the case in both countries. The issue, however, is not so much the superiority of one governing structure over another, but the conditions under which each works best; and, indeed, how they can best be operated simultaneously (Rhodes 1997a). Our work, and that of others (Flynn *et al.* 1996) suggests that the field of primary care is characterized by complex networks subject to changes which pose important dilemmas for individual actors. What are less well-known – and need further exploration – are the possible limits to networks as systems of governance and the ways in which such networks are changed (and, possibly, disrupted) by the speed, nature and extent of the current reforms.

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DIFFERENT SEEDS IN THE SAME PLOT? COMPETING MODELS OF CAPITALISM AND THE INCOMPLETE CONTRACTS OF PARTNERSHIP DESIGN

IAN BACHE

This article explains the differing nature of UK government and European Commission approaches to partnership, drawing on the 'competing models of capitalism' debate. Comparative studies have typically considered the impact of the same institutional arrangements across different territories – the 'study of identical seeds sown in different plots' (Putnam 1993, p. 7). However, this article is concerned with the study of different seeds sown in the same small plot: an area within the city of Sheffield. The different approaches to partnership enshrined in UK and EU regeneration programme documents structure different prospective outcomes. However, regeneration programme requirements must be understood as 'incomplete contracts' and as such, policy implementers play a key role in shaping policy outcomes.

INTRODUCTION

This article seeks to explain the varying nature of UK government and EU partnerships established for regeneration initiatives in Sheffield. In doing so, it refers to the 'models of capitalism' debate referred to by Hooghe (1998) and outlined more fully by Hooghe and Marks (1999). While this literature strongly associates EU partnership design with 'regulated' capitalism, this article also discusses the 'neoliberal' partnership design developed by the Conservative government up to 1997. These competing models of capitalism prescribed different types of partnerships that were intended to have different effects on policy outcomes. The partnerships considered are of two kinds: those for the UK Single Regeneration Budget (SRB) programme and those for the EU Urban programme.

Incomplete contracts

While regeneration programmes can promote institutional design that will favour desired policy outcomes, such programmes must be understood as 'incomplete contracts' (McAleavey 1995). As with all contracts, programmes contain flexibility because not all potential developments can be anticipated. As such, the implementation of regeneration programmes must be examined in order to understand the final contract outcomes. In his study

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of the implementation of the EU's Objective 2 programme for western Scotland, McAleavy (1995, p. 306) reported that the incompleteness of the contract, and its 'inevitable flexibility', 'can be used opportunistically by domestic actors (in this case central government) to re-shape the contract at the project selection stage'. Here, SRB and Urban programmes are viewed as incomplete contracts shaped by competing political paradigms. McAleavy's argument is tested through examining the simultaneous implementation of competing approaches to partnership in the North West Inner City Area (NWICA) of Sheffield.

Looking at the implementation of different partnerships within one very small area (population 7,000) provides a degree of control over 'local factors' in *different* areas that might otherwise influence outcomes. This contrasts with many partnership studies that have typically considered the political impact of the same institutional arrangements across different territorial contexts (Hooghe 1996 provides the most comprehensive account of the political impact of structural fund partnerships across the EU). If such studies have been concerned with the 'study of identical seeds sown in different plots' (Putnam 1993, p. 7), as has been said, this article is concerned with the study of different seeds sown in the same small plot.

It was a stated aim of both the SRB and Urban programmes that local community actors should play a role in regeneration. This prescribed outcome is a key concern of our discussion. It is argued that the nature and extent to which these actors were engaged and empowered reveals the importance of the underlying paradigms informing the different programmes and the contribution of the models of capitalism debate for understanding both institutional design and likely policy outcomes.

Structure of the article

The article has five sections. The starting point is to explain how the two competing models of capitalism inform the different approaches to regeneration policy partnerships adopted by the UK government and the European Commission. Section two then considers the development of these different partnership models in the UK through the SRB and Urban programmes. Section three provides an evaluation of SRB and Urban partnerships operating in Sheffield, while section four compares the two partnerships. The article concludes with a discussion of the relevance of the models of capitalism literature and of the concept of incomplete contracting for understanding partnership outcomes.

REGENERATION POLICIES AND COMPETING MODELS OF CAPITALISM

Hooghe's discussion of EU cohesion policy and competing models of capitalism distinguishes between 'two dominant contending models for organizing European society' labelled *neoliberalism* and *regulated capitalism* (Hooghe 1998, p. 1). In this broad debate (quoting from Hooghe), 'others

typify the tension as one between a neo-American model and social democracy (Wilks 1996), unfettered and institutional capitalism (Crouch and Streeck 1997), uncoordinated or coordinated regimes (Soskice 1992; 1998), Anglo-Saxon versus the Rhine social market economy (Albert; Rhodes and Van Apeldoorn 1997). This debate takes place within member states and within the political system of the EU.

At the heart of the debate is the degree to which markets should operate free of state intervention. Neoliberals emphasize minimal state intervention and maximum scope for free enterprise in an unfettered market. Within the EU, neoliberals argue for a European-wide market but with market regulation predominantly a matter for national governments. This should stimulate competition among these governments 'in providing a regulatory climate that mobile factors of production find attractive' (Hooghe 1998, p. 2). As such, neoliberal governments have reluctantly accepted the development of EU redistributive measures. EU cohesion policy, aimed primarily at reducing regional disparities, has been accepted as a side-payment to *demandeur* member states in exchange for their agreement on other issues: notably moves towards a single European market and enlargement (Bache 1998).

By contrast, proponents of regulated capitalism place other concerns alongside market efficiency. At EU level, 'they want to create a European liberal democracy capable of regulating markets, redistributing resources, and shaping partnership among public and private actors' (Hooghe 1998, p. 2). As such, EU cohesion policy has been described as the 'flagship' of the European Commission's concept of regulated capitalism (Hooghe 1998, p. 3).

MODELS OF CAPITALISM AND PARTNERSHIP PRINCIPLE

While financial allocations to EU cohesion policy increased regularly and substantially after the creation of the European Regional Development Fund (ERDF) in 1975, UK government regional aid diminished considerably over the same period (Bache, George and Rhodes 1996). In particular, the neoliberal Thatcher governments after 1979 rejected strategic regional intervention based on indicators of need in favour of targeted programmes based on competitive bidding by disadvantaged localities, predominantly cities. By contrast, the 1988 reform of EU cohesion policy aimed both to reduce regional inequalities and 'to institutionalize key principles of regulated capitalism in Europe' (Hooghe 1998, p. 2). Former Commission President, Jacques Delors, has been identified as 'the most influential advocate of European regulated capitalism' who 'forged the link between this project and current cohesion policy in the years 1986-88' (Hooghe 1998, p. 3).

Prior to 1988, allocations to EU cohesion policy, while rising, had remained relatively small in relation to member states' own efforts. Cohesion policy financial instruments – regional, social and agricultural – lacked coherence, common objectives and guiding principles. Moreover,

there was no common institutional design across member states, with each national government deciding on the institutional framework for implementation (Bache 1998). In response to these problems, the 1988 reform doubled allocations, brought the different financial instruments together under common policies and introduced the principle of *partnership* to provide the institutional basis for implementation. In terms of institutional design, partnership is one of the 'key principles' of regulated capitalism (Hooghe 1998, p. 2).

Yet, while partnership is a key principle of regulated capitalism, it is a principle embraced also by the proponents of neoliberalism, particularly the British Conservative Party. The Thatcher governments of the 1980s embraced the partnership principle, with partnership co-operation made a prerequisite for success under the competitive bidding process for distributing regeneration funds. In other words, there has been broad agreement across competing paradigms that partnerships of societal actors and government actors can make a positive contribution to regenerating disadvantaged localities.

Within that broad agreement, however, are distinct approaches to partnership design that are informed by the competing paradigms of neoliberalism and regulated capitalism. Hooghe hints at some of the differences. Neoliberalism,

induces cohesion policy makers to *frame policy in terms of competitiveness* rather than social goals such as equality or solidarity and to restrict access to partnerships to economically productive sectors. (Hooghe 1998, p. 5, emphasis added)

However,

if one supports a broader understanding of cohesion, as a counterpart to the internal market and *a stepping stone to a social and participatory society*, it is desirable to maximize the reach of the policy. (Hooghe 1998, p. 8, emphasis added)

This broader understanding of cohesion informed the Commission's approach to partnership. The following section draws out the distinct features of partnerships in the UK that developed in part from the competing models of neoliberalism and regulated capitalism.

PARTNERSHIP MODELS IN THE UK

The approaches to partnership of neoliberalism and regulated capitalism are distinguished first and foremost by the emphasis they place on the importance of different actors. In the 1980s, the neoliberal emphasis on minimal state action and maximum scope for private enterprise led to a UK partnership model that re-shaped horizontal relationships at local level by reducing local government power and increasing the role of the private sector in public policy-making. Peck and Tickell (1994) summarized the

view that UK government regeneration policy in this period was driven by two related imperatives: to place greater reliance on market forces; and to undermine the role of local authorities through legislation and capital spending controls to encourage them to work with business to regenerate their economies (see Strange 1996, p. 155). In the confrontational politics of 1980s Britain, regeneration partnerships appeared unlikely to develop naturally so central government 'sought to force local authorities to work with the new institutions, following the US example' (Ward 1997, p. 7). In this context, local authorities were often *reluctant partners* within the new institutional arrangements for urban regeneration.

By contrast, the initial formulation of the EU partnership concept emphasized greater vertical co-operation between local, national and EU *state* actors along with the 'social and economic' partners. The EU partnership principle sought to empower rather than disempower subnational actors. This development was captured by the phrase 'multi-level governance' (Marks 1992).

By the 1990s, partnerships in both traditions had broadened to include *local community actors* in the decision-making process for regeneration initiatives. By including community representation organized at a territorial level below the urban local authority, this development added a vertical dimension to the UK government's conception of partnership and extended the vertical reach of the Commission's three-level partnerships. In short, this meant both UK- and EU-led urban regeneration partnerships were comprised of essentially the same sets of public, private and 'third sector' (voluntary and community) actors; the Commission excepted in the case of UK-government initiated programmes. Regeneration partnerships of both types were both multi-level and multi-actor.

Yet, despite these apparent similarities in partnership composition, the extent to which these new sub-local (henceforth *community actors*) would actively participate and influence policy outcomes, was a matter for empirical investigation. The focus here is on the degree to which UK government's SRB partnership requirements and those of the EU's Urban programme both included and *empowered* community actors in Sheffield.

This article argues that while both of these programmes sought community actors' involvement, they did so for different purposes. In particular, while the neoliberal SRB programme valued 'bottom-up' participation from community actors, primarily in terms of the added economic value it might bring, the Commission's approach in the Urban programme valued such involvement for its direct social contribution also. These different approaches helped to shape different outcomes in terms of community empowerment. The starting point for understanding how these different outcomes emerged is with the partnership requirements set out in the programme documents for the two regeneration initiatives.

The Single Regeneration Budget Programme

The introduction of the Single Regeneration Budget by central government in April 1994 signalled a radical shift in approach towards urban regeneration policy in England. The SRB was created by the merger of 20 separate central government programmes managed by five Whitehall departments into one fund administered by the regional Government Offices (GOs) created in April 1994. This introduced an element of decentralization, albeit within nationally defined parameters and following ministerial guidance. The policy model allocated grants on the basis of competitive bidding between local area partnerships, which had to include both public and private sector organizations.

When SRB was first introduced it was heralded as a 'new co-ordinated approach which would give "local people more influence over spending priorities"' (DoE 1993, in Ward 1997, p. 10). The SRB followed attempts in the 1980s to import to the UK 'an "American" philosophy, culture and ideology that actively seeks to incorporate the business sector into Urban regeneration' (Ward 1996, p. 427). Carley (1990, p. 32) noted that in 1988, on the eve of a tour of US cities, Mrs Thatcher's 'inner city supremo', Kenneth Clarke, said he believed 'the US is the only country in the world from which Britain has anything to learn about tackling inner city problems (*Independent* 4/11/98)'. At the root of these attempts was a belief that it is necessary 'to encourage business investment in order to have an economically thriving community' (Stone 1989, p. 7).

SRB partnership requirements

Despite the private sector emphasis apparent in the neoliberal approach to partnership, SRB requirements developed a role for 'third sector' actors. By 1995, UK government guidelines stated:

Bids must be supported by partnerships representing an appropriate range of interests. The nature of a partnership will reflect the content of the bid and characteristics of the area. Given their role in local regeneration and development, local authorities and TECs can be expected to play a central role, but partnerships *should* include other relevant interests in the private and public sectors, and in local voluntary and community organisations, including faith communities. (*Government in Partnership* 1995, p. 4 – emphasis added)

Local government critics of SRB viewed these partnership requirements as a means for central government to wrest power from local authorities over a number of programmes they had previously administered. This claim had some justification. Following local government cutbacks in the 1980s, central government funding for local authority regeneration initiatives fell further in the early 1990s while some *quasi-governmental* agencies – such as English Partnerships – experienced modest real increases in resources (CURS 1995, p. 3). In particular, the private sector-led Training

and Enterprise Councils (TECs), were already major players in the regeneration field by the time SRB was introduced.

The Urban programme

The Urban programme was the European Commission's first major venture into urban policy (see Tofarides 1997). Initially, the programme provided relatively modest funding for eight cities in the UK and had particular emphasis on community involvement in regeneration. Urban funding for any project would be at a maximum of 50 per cent of the total project cost. The remainder had to be provided by domestic sources. This was the EU's so-called 'match-funding' requirement, which had been the source of many difficulties with other structural fund programmes (Bache 1995; McAleavy 1995) something which would prove to be the case again under the Sheffield Urban programme.

Urban partnership requirements

For the Urban programme, the programme requirements followed the partnership principle established in the 1988 reform of the structural funds and largely confirmed in the 1993 reform. Partnerships should include 'the economic and social partners, designated by the Member State at national, regional, local or other level with all parties acting as partners in pursuit of a common goal' (Council Regulation 2081/93 OJ 1993 L193/5, Article 4(1)). This principle was followed by the inclusion of the European Commission's 'Community Economic Development' (CED) priority in some structural fund programmes for the UK from 1994, including the Urban programme.

CED

Commission thinking on CED was heavily influenced by the 1996 report on 'Social and Economic Inclusion Through Regional Development' produced for the Commission. The 'Lloyd Report', named after its lead author, clarified the distinct principles of the CED approach. The approach placed great emphasis on drawing local communities into the regeneration process, communities that have 'an unrealised capacity' to contribute not only to economic development, but also to 'build capacity and install *social capital* in local areas' (European Commission 1996a, p. 18). CED also offered both a 'targeted means to attack social exclusion' and a 'direct rather than "trickle down" contribution to economic and social well-being' (European Commission 1996a, p. 18). In essence, CED acknowledged 'the mutually self-reinforcing links between the "social" and the "economic" in the endogenous process of community, local and regional conversion' (European Commission 1996a, p. 23).

Specifically in relation to the Urban programme in Sheffield, the Commission acknowledged the need 'to build capacity in the target population in order to enable members of the community to play a full part in developing and implementing the Sheffield Urban Initiative' (European

Commission 1996b, p. 12). This approach contrasted with that of SRB, which made no mention of installing social capital or making direct attempts to tackle social exclusion. Moreover, SRB contained no recognition of links between social and economic regeneration. It is here that understanding of the models of capitalism debate is useful.

MODELS OF CAPITALISM AND THE SRB/URBAN PARTNERSHIPS

The regulatory model of capitalism that informed the Commission view of cohesion policy as a 'stepping stone to a social and participatory society', shaped the emphasis in the Urban programme on community-led partnerships. This 'bottom-up' emphasis reflected the view that local community actors were important partners not only for the contribution they might make to economic regeneration, but also because extending participation in decision-making to previously excluded groups itself has intrinsic social value. Community involvement through the Urban programme would contribute directly to enhancing both economic *and* social inclusion. As Geddes and Martin (1997, p. 20) argue, a key objective of the 'European' model of development is to 'avoid what is seen as the worst features of the US approach, namely economic growth at the expense of even higher unemployment, a deepening social division and the creation of an excluded "underclass"'.

By contrast, the UK government's neoliberal approach was less proactive in terms of closing gaps between social groups and between individuals. As one commentator put it:

the UK government does not believe that current EU policies or their likely evolution over the coming years will be particularly successful in achieving these aims (of social and economic cohesion)...

the government is of the opinion that if some of the restrictions on the operation of the labour market can be eased (DoE 1993) it will be possible to improve both efficiency (and hence incomes per head) and employment (reduce unemployment) much more markedly. This should help improve cohesion by improving social welfare. (Mayes 1995, p. 2)

Thus, for SRB, community involvement was a secondary partnership requirement included for the potential direct benefits on economic productivity, which would ultimately 'trickle-down' to disadvantaged areas and social groups and thus enhance cohesion. For Urban, community involvement was a primary requirement, included for the potential direct benefits on both economic productivity and social cohesion. In other words, as one UK civil servant (interview, 1997) succinctly put it: 'The Commission doesn't believe in trickle down – it differs in this from the government. This leads to different effects'. The following section considers the effects of the contrasting partnership designs.

EVALUATING SRB AND URBAN PARTNERSHIPS IN SHEFFIELD

The first SRB programme in Sheffield was worth £38.2m city-wide, including an area programme worth £5.7m for the North West Inner City Area (NWICA), which is the focus of this research. The programme started in April 1995. The Urban Community Initiative for Sheffield provided £5.4 million for NWICA over the period 1994–99.

For this research, interviews were conducted with 34 partners (SRB = 20; Urban = 14) involved in the regeneration of NWICA. Individuals from all sectors and all organizations represented on the partnerships were interviewed. These included interviews with individuals from the following sectors and organizations from SRB: Black Community Forum; Business; Government Office for Yorkshire and the Humber; the local community (NWICA); Sheffield City Council; Sheffield Health; Sheffield SRB Unit; Sheffield Training and Enterprise Council. Interviews from Urban included: Black Community Forum; European Commission; Government Office for Yorkshire and the Humber; the local community (NWICA); Sheffield City Council; Sheffield College; Sheffield Health; Sheffield Training and Enterprise Council; Voluntary Organisations Network for European Funding (VONEF). The interview schedule was guided by themes taken from Putnam's work on the development of regional government in Italy, and, in particular, his notion of social capital (Putnam 1993). Social capital refers to 'features of social organisation, such as trust, norms and networks, that can improve the efficiency of society by facilitating coordinated actions' (Putnam 1993, p. 167). A central proposition deriving from this work was that high levels of social capital are positively correlated to institutional performance: where there is social capital there is co-operation and where there is co-operation, partnerships perform well. To measure the performance of local partnerships in Sheffield, three key indicators of social capital guided the interview schedule: participation, trust and efficacy. At the end of the interview, partners were asked to complete a questionnaire to provide quantification of the qualitative responses already given.

The core questions for SRB and URBAN partners in both the interview and the questionnaire were:

Participation:

- In what way are you involved with the SRB (or URBAN) process?
- How were you s/elected to become involved?
- What are your lines of accountability within your organization?
- How do you report back to your organization?
- Do you think representation on the SRB (or Urban) partnerships is appropriate, given the responsibilities?

Trust:

- Do you think there is openness within the process?
- Is there trust between the partners?

- How have levels of trust changed, if at all, while you have been involved?
- Has your involvement with SRB (or Urban) led you to co-operate with other partners on non-SRB (or URBAN) matters?

Efficacy:

- Do you feel you are listened to at meetings
- Do you feel you have influence over decision-making?
- Do you feel there is adequate consultation of partners and of the wider community on important matters?

SRB in Sheffield

Operational structures

The NWICA area of Sheffield was the first part of the city to receive SRB funding for local regeneration (housing renewal; environmental improvement; vocational training and improvement of local school/employer links). As such, the NWICA Local Management Board for SRB was the first area partnership of its kind in the city. Representation on the NWICA board was divided between three groups; Sheffield City Council, local business and the local community. The board was chaired by local Labour councillor Mike Bower, also the city council leader, and the two other local city councillors – one Labour, one Liberal Democrat – were also members. The city council's Legal and Administrative Department provided administrative support for the NWICA board. Initial community representation on the board came from local tenants' and residents' associations, while business representatives from the locality completed the membership. The area board was serviced by 'topic groups' to develop project proposals based around themes such as housing, environment, training and employment. Representatives on these groups came from the three sectors and specialists (e.g. Council Housing Officers) provided support.

A Joint Management Group was established as a city-level board to oversee the operation of the NWICA board and also to oversee thematic SRB programmes that operated city-wide. The management group was later formalized as the SRB Company Board. From the outset, the relationship between the area board and company board was vague. While the company board was the senior body, the area board had a role in recommending regeneration projects for it to consider. However, the status of the area board's opinion was uncertain and was left to be established in practice.

The city-level SRB Company Board consisted of:

- Sheffield City Council (3 members/3votes)
- Sheffield Training and Enterprise Council (TEC) (3/3)
- Sheffield Development Corporation (1/1)
- Sheffield and Rotherham Chambers of Commerce (1/1)

- Voluntary Action Sheffield (1/1)
- The Black Community Forum (1/1)
- The City Liaison Group Secretary (non-voting).

Sheffield City Council was deemed the 'accountable body' and was thus legally responsible for the receipt and use of the SRB funds and the realization of the Delivery Plan.

Decisions within the company board were taken on basis of a majority of votes cast. Both the city council and the TEC were entitled to three votes regardless of how many of their representatives were present at meetings. Meetings were chaired alternately by the council and the TEC and meetings were not quorate unless at least one representative of both the council and the TEC were present. Each project application was contracted with and supervised and monitored by either the council or the TEC, at the discretion of the company board. The Delivery Plan and significant variations to this had to be agreed by the TEC Board and the Regeneration Sub-Committee of the city council's Policy Committee on advice from the company board.

In terms of operational management, the SRB programme was the responsibility of the newly created SRB Joint Unit, which was staffed initially by secondees from the partners and the private sector. Notably, the chief executive of the joint unit was seconded from the city council, and council and TEC secondees occupied other senior posts. The company board did not authorize a project unless it had first been appraised and recommended by the joint unit.

The SRB partnership evaluated

Area partners found the SRB process in Sheffield overly bureaucratic. If SRB bureaucracy was frustrating to experienced officers, it was a deterrent to the involvement of community actors in particular. One community representative argued that SRB funding was 'totally inaccessible – you need more than a degree to understand the forms' (SRB Community Representative, interview 1997). The vagueness of the roles and responsibilities of the various decision-making bodies within the Sheffield SRB confused participants. The bureaucracy and the blurred responsibilities were particularly to the disadvantage of community partners at area level, who often felt powerless within the process.

There is no real power at the area board. Things still have to go through the council Policy Committee... also the company board makes decisions. We do cosmetic rubber-stamping. (SRB Community Representative, interview 1997)

In addition, the roles and responsibilities of individuals and organizations within the decision-making process were unclear. Individuals serving on both the city and area boards acknowledged this in interviews: some never had the purpose of their involvement explained to them. Again, the outcome of this uncertainty was to concentrate power in the hands of the small

number of officials in the SRB Unit who had an overview of the whole process.

The situation was not helped by the fact that community representation was truncated below city level. While the area board had representation from the local community, third-sector representation at city level was in the form of one representative from the Black Community Forum and one from Voluntary Action Sheffield. While no one disputed the value of these sectors being represented, neither of these city-level representatives was involved with SRB at area level and there was no direct line of accountability between these individuals and community representatives at area level.

The operation of the topic groups at area level was a mixed success. While a minority of groups were seen as valuable, others had stopped functioning, while the majority were seen as council officer-led. This level of the process offered the council a particularly strong structural means through which it could advance its priorities. As one senior SRB officer explained: 'each topic group reflects a council service area. It's a way of protecting existing council functions. The council needs to change to make them a multi-agency task force.... Some topic groups would rather not spend than give money to another topic group' (SRB Officer, interview 1997).

While SRB programme documents stated that those partnerships 'should include' representatives of the local community, there were serious problems in both engaging and maintaining adequate representation from the community at area level. In addition to problems of bureaucracy, discussed above, the nature and style of meetings deterred participation:

Sometimes it feels as if there are two meetings going on – one between appointed officers and another between community reps who are on a totally different footing. We seem to have conversations twice – once in jargon and once in lay language. (Health Sector Representative, interview 1997)

Others pointed to the fundamental difference in the distribution of resources, which put community representatives at a distinct disadvantage in comparison to officers: 'Meetings are so complex, you need a lot of background stuff before you can make a contribution. The problem is that issues are so complicated that there are usually 16 reasons why a suggestion is not valid and we don't have the information to win the day. It doesn't feel like a bulldozer operation but it is' (SRB Community Representative, interview 1997). A specific problem was the expectations placed on community representatives by paid, full-time officials. As one put it: 'in practice there is hardly any community involvement. People are tired, confused and bewildered by the SRB process. Too much was expected of them – they have opted out' (SRB Community Representative, interview 1997). Some officers, themselves under pressure, displayed a lack of understanding of the local community. For example: 'We were asked by officers to put in a

bid – we had two days to get it in. We don't have the staff or resources. Not everyone is on the 'phone. It can take two weeks to set up a meeting. That sort of thing is not understood by professionals' (SRB Community Representative, interview 1997).

Overall, the NWICA SRB partnership experienced great difficulty. Much of this difficulty was associated with existing institutional actors playing a 'gatekeeper' role to deny new community actors influence over the allocation of resources. The SRB programme documents did not empower community actors sufficiently for them to challenge this role successfully. As such, the extension of the UK government's partnership concept vertically did not significantly challenge existing hierarchical relationships within Sheffield. While the TEC and city council jointly controlled power within the city-level partnership, the council played the key gatekeeper role between the city and the area-level partnership. This role was illustrated by the pivotal position of the council leader, who chaired both the city-level company board and the NWICA board. Also important was the appointment of former council employees into the most senior positions within the SRB Unit. Council representatives controlled key positions throughout the process, maintained structures that reflected council priorities and set the agenda through access to key administrative positions. In this context, new community actors were unable to command either financial or informational resources to allow a significant challenge to existing hierarchical relations.

The problems of the partnership at area level were illustrated by the findings of the quantitative survey of partners in NWICA. In terms of *participation*, half of the 12 area-level partners surveyed were satisfied that the right organizations/sectors were represented on the NWICA board. However, almost all partners (10) wanted to change representation in some way – generally to strengthen community representation. Half of the partners thought there was at least 'some distrust' in the partnership, and the same number did not think trust had increased. Half also felt that consultation within the partnership was inadequate. Finally, while half the partners felt they had *influence* over decision-making on the area board, the other half did not.

On the whole, the NWICA partnership could only be described as 'dysfunctional'. It was highly divided: almost all the negative responses came from community representatives, while local authority and SRB personnel were more positive. Issues of party politics, personalities and institutional 'turf battles' all contributed to the partnership's difficulties. Local party politics were particularly disruptive. As one partner put it: 'Community groups have been used for political ends in a Liberal Democrat-Labour battle. They have been used to stir things up' (Council Officer, interview 1997). These political tensions had led to the collapse of the NWICA Community Forum at the end of 1996, a body which had been developed 18 months earlier to provide representatives for the SRB area board. Had it

survived, this forum would also have provided the basis for choosing community representatives for Urban also. The feuds of party activists within the community forum and the NWICA board served to alienate non-activist individuals from the community sector who had come forward for the first time. The SRB board in NWICA never fully recovered from its difficult start, which also left a legacy of community disaffection which provided a major obstacle for those officials charged with making the 'community-led' Urban initiative a success.

The urban programme in Sheffield

The Urban programme for Sheffield was agreed and signed by the European Commission on 30 July 1996, following a delay caused by a dispute between the UK government and the Commission over administrative matters (see Tofarides 1997). The choice of NWICA for Sheffield's Urban bid was in part pragmatic. Of the least advantaged areas of Sheffield, the match-funding requirement pointed towards NWICA with its existing stock of potential matching resources from SRB. In addition, Sheffield had little time to prepare its Urban submission: 'it was chaos. We got short notice of the invitation to bid. We didn't know the criteria until after the bid had gone in. We had no time to engage anybody' (Sheffield city-level partner, interview 1997). These circumstances strengthened the claims of NWICA for Urban further, because data on the area was readily available, having been recently assembled for the SRB bid. The Urban submission was put together in less than a week, with little understanding of the purpose or priorities of the programme. The objective was to beat the deadline and secure funding. How the programme would operate and fit with SRB and other initiatives would be worked out later.

Operational structures

To oversee the administration, implementation and monitoring of the NWICA Urban programme, an Urban Management Committee was constituted as a sub-committee of the Yorkshire and Humberside Programme Monitoring Committee. The regional Monitoring Committee had overall responsibility for managing all Objective 2 structural fund programmes in the region, but the Urban Management Committee had considerable autonomy under the programme requirements.

The membership of Urban Management Committee was drawn from the 'principal local partners'. These were:

- Sheffield City Council
- Sheffield TEC
- The Black Community Forum
- Sheffield College
- Sheffield Health
- The European Commission
- The Voluntary Organisations' Network for European Funding.

Unlike SRB, formal voting rights were not allocated to organizations within the Urban Management Committee because decisions were intended to be taken on the basis of consensus.

The council, in consultation with the Government Office for Yorkshire and Humberside (GOYH), selected the organizations represented on the Urban Management Committee. GOYH chaired the Management Committee and provided the secretariat. The principal local partners involved would seek to secure local community representation, onto the Management Committee initially, but ultimately would help to develop an Urban Partnership Group with widespread community involvement to lead the Urban process. This Partnership Group would include 'representatives of local community organisations and is likely to include representatives from the voluntary sector, local authorities, the local business community, local educational agencies, and local health and training bodies' (Sheffield UMC 1996). A local community actor would chair the group.

In principle there was to be a clear division of tasks between the Management Committee and the Partnership Group. The Partnership Group would take a lead role in drawing up a local Action Plan, secure the necessary match-funding and report to the Management Committee on the implementation of the programme. In addition to generally supporting the Partnership Group, the Management Committee would commission capacity-building measures to create or enhance community involvement; submit annual progress reports to the regional Monitoring Committee, based on Partnership Group reports; and make arrangements for the monitoring and evaluation of the implementation of the Urban Action Plan. The Action Plan would make the Partnership Group fully accountable for project development, appraisal, approval and delivery. However, the Partnership Group was slow to develop, which meant that in the first 18 months of the programme (covering the period of this research) the Management Committee took responsibility for all actions, although this was rectified soon after.

The urban partnership evaluated

The 'partnership' referred to in the questionnaire completed by Urban partners was essentially that based around the Management Committee membership. Generally, the partnership was viewed very positively. The major *caveat* was that the Urban programme was new and thus the partnership was in an early stage of its development. Overall, partners expressed a high degree of satisfaction with the operation of the Urban partnership in its first year.

In terms of *participation*, there was general agreement that the right organizations were represented within the Urban partnership. However, half of the 14 partners interviewed wanted to change the balance of representation to strengthen community representation. Following GOYH's invitation to participate, the manner in which organizations chose their representatives to be involved in Urban varied considerably. For most organi-

zations, choice of representation was an internal affair. Yet within Management Committee discussions there was considerable focus on the selection of community representatives in the NWICA area. This was understandable given Urban's emphasis on a community-led process and community representatives were the first to acknowledge that their selection had been neither open nor democratic. However, the opaque selection of non-community representatives was not discussed.

When asked for this research to justify their involvement on the Urban Management Committee and describe their lines of accountability, some interviewees were taken aback. Generally, it was regarded as a reasonable and indeed important question, but one the 'principal local partners' had never previously been asked to consider. Despite this, some partners were able to point to clear lines of accountability – for example, to a chief executive, or to a council committee – while others were not. Even where lines of accountability were clear, this often meant that reporting back on Urban issues was at the discretion of the representative. Where community representatives reported back, it was also on a voluntary basis – for example, to the embryonic Community Alliance or tenants' and residents' associations. However, while the democratic deficit relating to community representation was being addressed through the development of a community forum as a precursor to the Urban Partnership Group, no steps were initially taken to make the selection of other representatives open and accountable.

More than three-quarters of the Urban partners interviewed (11 from 14) felt that the Management Committee was open and responsive to new members and new insights. The GOYH officials running Urban were widely considered to be receptive and accessible. Efforts had been made to make meetings and supporting documentation free from unnecessary jargon. Urban papers were thought to be clearer than those for other European and UK regeneration programmes that partners were involved with.

Almost all partners (13 from 14) believed there was at least 'some trust' within the Urban partnership. A clear majority thought trust had increased over time and none suggested trust had decreased. Initially, the main problem for Urban in terms of trust was that it followed SRB into NWICA. The experience of a number of partners with the SRB process locally, and particularly that of community representatives, had led to considerable distrust in the area. In this context, the rapid development of trust within the Urban partnership was quite remarkable. A number of explanations were offered for this.

The first explanation given was the nature of the Urban programme itself. Unlike SRB, Urban's commitment to involving and empowering the community was seen by partners as a more genuine requirement of the programme. A second factor was with the nature of the individuals involved. Community representatives involved in both SRB and Urban programmes in NWICA observed a real improvement in the approach taken by GOYH

officials to engaging the community compared with the SRB Unit officials responsible for administering SRB. Third, the local authority – which with SRB felt it had been made to compete for money it had previously administered alone – had initially opposed the competitive bidding element and partnership requirement. Thus, local authority resentment and latent disputes over programme ‘ownership’ surrounded SRB from the start. This was not a problem with Urban, which was generally regarded as additional spending in NWICA rather than a substitute for council expenditure. In other words, ‘there is no turf battle for the council as with SRB. Urban is not seen as council money’ (Council Officer, interview 1997). As such, there was less cause for resentment and hostility between the different sectors represented.

Despite some reservations over the efficacy of local consultation – ‘not something that comes naturally to the powers-that-be’ (Urban Community Representative, interview 1997) – almost all partners (12) felt they had *influence* over decision-making within the partnership. As one community representative put it: ‘you can put across a point of view. If it’s sensible, it won’t be ignored. It’s very open’ (Urban Community Representative, interview 1997).

Match-funding

Despite the decision to target NWICA for the Urban programme being influenced by the potential of SRB funds for match-funding, most partners expressed difficulties in securing the necessary co-financing. For many, this was the major obstacle in the way of Urban’s success. ‘Local’ factors played a part in this problem. First, the delayed start of the Urban programme meant that large amounts of SRB funding in NWICA had already been committed and were not available as match-funding. Second, no formal structures existed either at city level or within NWICA for linking spending under the two programmes. Third, informal relations between those responsible for administering SRB and Urban were not particularly good and the general party political tension in NWICA further hindered synergy between the two programmes.

While the match-funding problem had been a feature of previous EU programmes in the UK, this top-down requirement created a particular tension within the bottom-up approach of Urban. In the first year, the inability of the local community to raise the necessary matching funds made it dependent on other organizations for financial resources. In other words, the match-funding requirement skewed the distribution of power in the Urban partnership in favour of larger organizations and away from the community actors. As such, the requirement appeared to conflict with the programme’s central purpose of empowering the local community. Whether this ‘top down-bottom up’ tension would significantly impact on aspects of community empowerment remained to be seen.

A successful partnership?

In a relatively short space of time, partners involved with Urban had developed a high level of trust, reasonable satisfaction with the nature of representation and a sense of ownership and control of the process. Two years into the programme, community representatives were reporting to the Commission on the development of a strong Community Alliance in NWICA involving 40 local groups. This Alliance was developing an area-based regeneration strategy drawing on support from non-Urban sources, including 'mainstream' structural funding, the SRB, and the private sector. In the words of a community representative (1998), 'this was all made possible by Urban'. The Action Plan for Urban was near completion, with the community representatives satisfied that it reflected locally-determined objectives. Finally, some progress had been made on the match-funding problem, with the creation of a £0.5m 'Futures Fund'. This drew on sources including SRB, and provided relatively easy access to match-funding, albeit for only a small proportion of total Urban funding.

THE SHEFFIELD SRB AND URBAN PARTNERSHIPS COMPARED

successful renewal is *by* local residents as well as *for* local residents. Lead agencies need to create a climate, and sometimes organisational mechanisms, by which residents can be involved from the start as equal partners in the development of community objectives, and be prepared to relinquish control to new community organisations as and when the time is appropriate. (Carley 1990, p. 54)

To differing degrees, both SRB and Urban contributed to increased community participation in Sheffield politics. However, the findings presented here suggest Urban had more success than SRB in making community participation something more than consultative. On all indicators of social capital – participation, trust and efficacy – Urban partners generally, and Urban community partners particularly, expressed higher degrees of satisfaction. In short, while SRB community representatives felt they had a voice, Urban community representatives felt they had influence. This was an indication that while the SRB approach to partnership facilitated public-private collaboration, it remained top-down in its relations with the local community. Part of the explanation for this lies in the paradigm informing partnership design. This will be considered first.

The SRB partnership model was developed by a neoliberal UK government that drew its inspiration from US experiments. However, in important ways, the SRB model differed from US variants. First, US urban renewal efforts 'tended to focus on economic development in offices, services and on city centre renewal, rather than on social programmes in poor, inner city neighbourhoods' (Carley 1990, p. 38). Thus, while public-private dominated partnerships were most appropriate in many US experiments, to be effective, SRB needed to draw in the constituency closest to the problems

of inner city neighbourhoods: the local residents. As noted above, the government's programme requirements for the first round of SRB suggested that the community 'should' be involved. While on the surface this seemed reasonable, in practice the requirement was weak. This was partly because it was unclear that residents should be a key element of the 'community' involved. The main problem, though, was that SRB failed to address the problem that 'although the neighbourhood may intuitively seem a right level for community development, it is a level of social organisation which has been substantially under-represented in the distribution of power and resources in British society' (Carley 1990, p. 48). SRB was not dealing with the types of problems addressed in the US or with the same culture of local participation. As community empowerment was a secondary consideration for SRB, it contained little provision to ensure effective community participation and only a vague specification of what constituted the 'community'. By contrast, the Commission was clearer in the Urban programme about which parts of the 'community' should be involved and was sensitive to the need to build the capacity of local residents to make their participation effective.

Beyond the more inclusive approach embedded in the Urban programme contract, explanations of the effective community engagement that ensued are local. As McAleavy (1995) argued, the implementation stage provides much room for discretion by local actors. It is at this stage that the subtle differences in the initial contracts provided implementers with scope either to deliver or to obfuscate the objective of effective community participation.

Taking SRB first, the vague contractual commitment to community involvement allowed the local elite players to consolidate their existing public-private relationship by institutionalizing an effective city-level veto of any area-level community input: a guaranteed six votes between council and TEC officials on the key decision-making body ensured this. That community representation was absent at city-level confirmed this control. The vagueness of the roles and responsibilities of various bodies, organizations and individuals within the SRB process further strengthened the position of established elite officials with an overview of the process in relation to new community actors. The nature and style of communications within and outside meetings was determined by the existing public-private local elite, given their pivotal role within the city and area boards, and in effectively providing administrative support through the council-TEC dominated SRB Unit. For its part, the city council had previously conceded the principle of power sharing with the private sector-led TEC and was not ready to contemplate further power seeping away in the direction of local communities. Content with its central role in the SRB process, Sheffield TEC was compliant with the council in denying effective community representation. In short, the SRB programme contract was insufficiently complete to ensure community empowerment and instead maintained the existing public-

private city relationship that developed through previous pressures instigated by the neoliberal Conservative government in the 1980s.

By contrast, the precise requirements for community involvement in the Urban programme contract made it clear what the Commission expected the roles and responsibilities of the various actors would be. As one Government Office official with detailed knowledge of both programmes put it: 'The Commission model *makes* you have to stick with it. There's no hiding place' (GOYH civil servant, interview 1998).

In line with Commission requirements for community empowerment, the Urban implementers delayed the approval of most projects until the community was able to take a lead. The implementers played a key role in facilitating community empowerment through community development measures and improved communication strategies that made information more accessible and meetings less formal.

CONCLUSION

If, as McAleavy (1995) argued, regeneration programme documents constitute an 'incomplete contract' that provide room for interpretation at the implementation stage, it is clear from this study that in terms of community empowerment, some contracts are more complete than others. The Commission's approach, informed by a model of regulated capitalism with a direct approach to achieving economic and social cohesion, required a stronger commitment to community empowerment in Urban than did SRB. SRB reflected a neoliberal conception of partnership informed by an indirect approach to achieving cohesion that depended on the effective functioning of markets. However, it is clear that models of capitalism alone provide only part of the explanation for the degree of community empowerment within partnerships. Two other factors are apparent at the level of implementation: the nature of pre-existing relations between local institutional actors; and the interpretation of programme requirements by key implementers – the *human dimension*.

It is clear that local political and institutional relationships impacted on the success of the new local partnerships in Sheffield. In political terms, both SRB and Urban entered a locality seen as pivotal in the partisan struggle for control of the city council: both partnerships were to differing degrees affected by party conflict between Labour and the Liberal Democrats. Institutionally, SRB was affected by local government resentment that the programme was part of a broader central government strategy for reducing local authority power. Urban did not suffer from similar institutional conflict over issues of ownership. Subsequently, the city council acted as a gatekeeper over SRB programme decision-making in an obvious manner, with the acquiescence of the influential local TEC. This response confirmed the suspicions of already sceptical local community actors that their involvement was merely tolerated by an existing public–private elite to meet funding conditions.

The pre-existing institutional tensions over SRB provided implementers with little scope for acting with discretion over community involvement, even where there might have been a will to make this something more than consultative. In this case, the implementers adopted a minimalist interpretation of this requirement. The absence of significant pre-existing local institutional tensions over Urban provided implementers with more scope for developing the community-led approach provided for. However, important here was how individual officers interpreted this role. GOYH officials had no obvious local political agenda, but exhibited an enthusiasm for the Commission's bottom-up approach and applied a maximalist interpretation of this requirement. GOYH officials' attempts to develop a genuinely community-led partnership received active support from council officers in departments separate from those involved with SRB. That Urban involved a relatively small amount of funding for Sheffield overall, compared with SRB, allowed for greater institutional flexibility within the council here, as did increasing awareness at a councillor level of the potential electoral consequences from the disaffected community experience with SRB in NWICA. Still, within this increased space for discretion provided for Urban, it was significant that these council officers supported the objective of community empowerment. In short, within the constraints set by pre-existing institutional relations and local party politics, the human dimension was important in the degree of community empowerment afforded by the two programmes.

In summary, the evidence presented here suggests that the two approaches to partnership discussed, originating from competing models of capitalism, provided a framework within which some outcomes were more likely than others. In particular, the Urban programme's commitment to community involvement was firmer in part because it was derived from a paradigm that views increased participation as having intrinsic *direct* value for social and economic cohesion. SRB reflected a view of capitalist development that values increased community participation as a means to an improved economic end, which would ultimately contribute to social cohesion.

However, while the frameworks for partnership provided by programme documents are important, they may not necessarily prove decisive. There are examples of Urban partnerships that have failed to engage the community successfully and SRB partnerships that have succeeded (see Tofarides forthcoming and CURS 1995 respectively). Above all, this paper emphasizes the importance of the role played by local actors at the implementation stage within the framework provided by incomplete programme contracts. As such, the evidence from this case study suggests that empowering previously excluded actors can be difficult when the participation of clearly defined community actors is a primary requirement for funding and where provision is made to promote their effective participation, as with Urban. Where the target community is vague and the

requirement of its participation diluted to a contractual 'should' with no provision for capacity building, as with SRB, more powerful public-private alliances can render such bottom-up participation meaningless.

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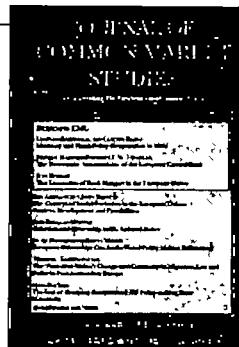
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EUROPEAN FORUM



EVALUATION IN FRANCE, A COMPONENT OF TERRITORIAL PUBLIC ACTION

JOSEPH FONTAINE AND PHILIPPE WARIN

Evaluation practices developed in France, especially by local authorities and above all by regional councils, provide an interesting opportunity to examine from the inside the way public policies are constructed. Taking evaluation practices seriously as a subject of study reminds us, in a way, of the necessary empiricism needed to analyse public policies. At a time when this discipline experiences, at least in France, a surge in conceptual proposals, the point of view expressed here aims to point out the necessary modesty we have to show in the face of the complexity of the subjects studied and of the usefulness of evaluation practices to explain territorial public policies.

Could the evaluation of public policies contribute to a better understanding of public action? We examine this question at a time when theoretical approaches are becoming entangled, especially perhaps in France. Each political expert now tries to reconcile the frameworks of analysis with the multiple and deep transformations occurring in the modes of public action. In particular, the process of decentralization that has characterized the evolution in France for 20 years, has made the analysis as well as the practices more complex.

By way of introduction, let us point out the transformations that have occurred in regional public action since the early 1980s; we then present

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the subject of evaluation in France, justifying its relevance for the analysis of territorial public action in two regions (Brittany and Rhône-Alpes).

Decentralization reforms in 1982–83 (Dreyfus and d'Arcy 1997; Oberdorff 1998) led to an increase in both the competences and the means of local public authorities against the state. Indeed, important responsibilities and resources have been transferred to the regions. Another essential change in the French institutional system is that the French regions assumed different status, created by the law of 5 July 1972. Previously, the regions had represented more territorial public institutions (i.e. legal entities dependent upon public law, with a specialized mission to manage one or several public services). Their competences were limited to studies and proposals concerning regional development and to the production of goods relevant in the region. But all this had to be done within strict budget limits. They were not intended to compete with the former 'departments' stemming from the French Revolution. The 1982 reform transformed the regions into fully fledged territorial authorities, a status that matched that of the departments and the municipalities. In March 1986, regional councils were elected for the first time by universal direct suffrage. The *executive* power switched from the Prefect of the region, representing the central state and its ministries in the region, to the President of the regional council. At the same time, the *a priori* administrative supervision of the state is suppressed and replaced by an *a posteriori* legal control.

Compared to 100 departments and over 36,700 municipalities, the 22 French *regions* are now the most important political and administrative territorial units in France. Since the laws of 7 January and 22 July 1983 transferred competences to the regions, they now have reinforced prerogatives in the field of economic development and town and country planning and new competences in secondary education (Fontaine 1992) and vocational training. They will also have to play a part, together with the state, in the field of higher education and research.

Generally, the regions act on the basis of objectives jointly defined with the state within the 'contrats de plan', which set the objectives of co-operation and the respective commitments. The duration of such contracts varies: from an original four years (1984–88 and 1989–93); to five years complemented by a further year because of state budget difficulties in the mid-1990s (third generation contracts: 1994–99); to a present seven years (2000–06). Since 1994, the 'contrats de plan' have required to be evaluated. The negotiation of such contracts is largely defined by state orientations. But in practice, this depends on the size of the regions; on their social, economic and geographic specificities; on their fiscal potential; and on the relations established between the regional councils and other public authorities. In some respects, regions are free to develop the policies they want. What is not actually prohibited, then, is allowed. Regions have tried to be imaginative. They possess a tax power that enables them to extend their prospective action. Nevertheless, for a large number of them, the partner-

ship with the state is essential since they lack sufficient financial means on their own. The problem today is that the state is gradually withdrawing from several fields of action (the transport sector, for instance).

Compared to other territorial public authorities (departments and municipalities), the budgets of the French regions are not very high, even if the difference tends to be not very significant (table 1). This can partly be explained by the fact that regions represent the most recent political and administrative institutions. At the European level by comparison, the budgets of the French regions seem to be even lower. This necessarily influences any possible co-operation. For instance, we can compare the budget of the region Rhône-Alpes, amounting to 7.8 billion francs in 1998, to the budgets of the three European regions with which Rhône-Alpes developed priority exchanges in the same year; 236 billion francs for Baden-Württemberg in Germany, 65 billion francs for Catalonia in Spain and 83 billion francs for Lombardy in Italy. In terms of receipts, the unilateral decision taken by the Jospin government, on 16 March 2000, to suppress

TABLE 1 *Budget characteristics of the French regions*

Regions (population in 1997, in million inhabitants)	1985		1997		1994–98 plan contract (extended in 1999)		
	PB in billion francs	Debt, in francs per inhabitant	PB in billion francs	Debt, in francs per inhabitant	Credits in billion francs	State	Regions
Alsace (1.6)	0.398	79	2.04	118	2.2	1.5	
Aquitaine (2.8)	0.822	155	3.29	1266	3	2.5	
Auvergne (1.3)	0.442	251	1.54	1183	2.4	1	
Burgundy (1.6)	0.463	180	1.87	1142	2	1.5	
Brittany (2.8)	0.703	131	2.97	40	5	3.1	
Centre (2.4)	0.490	180	3.75	683	2.3	1.7	
Champagne (1.3)	0.351	132	1.61	898	1.7	1.3	
Corsica (0.25)	0.241	223	2.18	3241	0.695	0.58	
Franche-Comté (1.1)	0.303	160	1.49	980	1.8	1.2	
Île de France (11)	4.331	377	ND	ND	11.1	23.2	
Languedoc (2.1)	0.593	196	2.96	1231	3.6	2.3	
Limousin (0.7)	0.258	88	0.92	840	1.5	0.87	
Lorraine (2.3)	0.526	77	2	715	4.3	3.4	
Midi-Pyrénées (2.4)	0.666	121	2.96	643	4.2	2.8	
Nord/Pas de Calais (4)	1.252	139	5.26	1505	8.2	5	
Basse Normandie (1.4)	0.300	109	1.96	435	2.2	2.1	
Haute Normandie (1.7)	0.372	151	2.88	1432	2.2	2.4	
Pays de la Loire (3.1)	0.824	273	3.6	415	2.9	2.1	
Picardie (1.8)	0.543	35	2.27	704	2.4	2.4	
Poitou-Charentes (1.6)	0.503	209	1.67	455	2.5	1.7	
PACA* (4.5)	1.422	204	4.73	890	4.3	3.2	
Rhône-Alpes (5.4)	1.197	110	7.8	616	5.1	4.6	

Source: Direction Générale des Collectivités locales (Home office)

PB: provisional budget – ND: not disclosed

*PACA: Provence-Alpes-Côte d'Azur

the regional part of the local tax paid by the residents in return for compensation paid by the state budget, shows the fragile fiscal and political balance of the French regions. They are not yet considered as major actors possessing autonomy in budget management.

At a strictly institutional level, the French regions are not devoid of powers and means of action. It is the increase in power of the French regions at an institutional level that remains modest. The law does not extend legislative power to the regional authorities; they have not therefore reached the same level of independence and power as the regions of other European countries (Mény 1996; Le Galès and Lequesne 1997; Négrier and Jouve 1998). Actually, the real prerogatives of the regions neighbouring France are not always the ones listed in the legal texts. In practice, factors other than mere institutional rules determine the 'political capacity' of the regions (Keating 1992).

In the German case, the *Länder* have an independent status: a constitution, a territory, specific attributions. They are represented in the *Bundesrat* (Senate) and thus take part both in federal legislation and in its implementation within the framework of a 'cooperative federalism': local authorities are put in charge of the management of central policies (there are over one million and a half civil servants in the *Länder* against 300,000 federal civil servants. In France, the staff in the regions is about 7000 agents as against over 2.2 million agents in the state services of the departments and municipalities: we know, however, how important the *implementation* phase is as regards public action). The *Länder* also retain a residual legislative power in those fields where the 1949 fundamental law did not grant legislative powers to the federation (Art. 70). It is nevertheless a fact that the German federal system, in practice, relies on 'a regionalisation without regionalism' (Benz 1997) and that the *parliaments of the Länder* 'are not producing results and have weak prerogatives' (Mény 1996, p. 428). In Spain, by contrast, the 17 autonomous communities have no constitutional power within a formally unitarian state. Transfers of competences, however, have been both speedy and significant in the 'historical' regions such as Catalonia, the Basque country and Galicia after the national legislative elections in 1996. The example of Catalonia shows that a strong regionalism relies on institutional resources as well as on social, economic, cultural and political resources (Morata 1998). Conversely, in Italy, although legislative power has been granted to the regions, any increase in the exercise of power in the regions is not so obvious: well informed authors (such as Bagnasco and Oberti 1997) even qualify them as regions 'in trompe-l'oeil'.

How relevant is evaluation?

We can now turn to the question of evaluation and its relevance in examining territorial public action. Since it is clear that French political experts are attempting to give the analysis of the public policies a new lease of life (Muller *et al.* 1996), we will propose the following: why don't we start by

paying attention to a specific *corpus*, certainly modest but worthy of being taken into consideration – i.e. the one of the evaluation of public policies? This proposal is an original one because the research, in France, largely lies within a perspective which gives priority to the modelling of the production of public policies over the analysis of their concrete effects.

In France, in the history of deconstruction/reconstruction of the territories of political science and its hierarchies, and more precisely in matters of scientific knowledge (Favre 1983), the study of public policies didn't have much significance until comparatively recently. For a long time, French political experts, mesmerized by the top level where the political power is exercised, have focused their attention on the 'ways socially legitimate orders were produced' (Braud 1982, p. 11) rather than on the results of the practice. Since then, as the analysis of public policies has become more legitimate (Thoenig 1985), we have largely assumed a continuity between the expression of social problems and the intellectual construction of the policies. Many studies focus on the process of mediation between political, administrative and professional elites while ignoring both the arrangements linked to their implementation (Dupuy and Thoenig 1985) and especially the question of the way policies are accepted by the persons for whom they are intended (Warin 1999). Recent efforts to question the conditions of mutual influence between *policies* and *politics* have not erased the idea that politics still takes place at the top, with a continued acceptance of the fact that power and authority are concentrated in the hands of a few decision makers, even if this circle has now been extended to the local level.

To go a little against the general trend, then, we consider that evaluation can provide useful knowledge about public action, even if the aim of evaluation remains modest. We propose here, therefore, to assess the intermediary results of evaluation (without at the same time laying claim to an epistemology of public action). This proposal will not only suggest that researchers more systematically resort to evaluation, but also and above all, that they should involve themselves more in evaluation exercises. As has been said, with a few notable exceptions, evaluations are seldom carried out by researchers in France since the 'culture of lack of interest' (of the researchers) is coupled with 'the excessive scepticism of the politicians towards their production' (Duran 1997, p. 258). Moreover, the space reserved for the evaluation of policies in research and education is modest, despite a good but underused scientific literature. In many respects there are more discussions about evaluations than there are solid evaluations!

In the United States, three types of collective actors resort to evaluation: 'administrative decision makers, governing or non governing politicians and researchers in social sciences' (Splenlehauer 1998a, p. 47). This has enabled 'the emergence of a specific profession specialised in evaluation which is both theoretically imaginative and practically enterprising' (*ibid.*). In France, with notable exceptions, few researchers and academics have committed themselves to evaluation. However, some of them have carved

out a place in the first structures set up to evaluate state administrations, insofar as such evaluation concerned their professional world (that within the National Committee of Evaluation of public institutions with a scientific, cultural and professional nature (CNE) and within the National Committee of Evaluation of the research). The trend was confirmed in the 1990s. Indeed, researchers have taken part in the Scientific Committee of Evaluation (CSE). This was created by decree by President François Mitterrand, on 22 January 1990 and related to the evaluation of public policies. This decree introduced the evaluation of state public policies as a main tool to be used to reform public administration and the state. However, the senior branches of the state civil service, characterized by a culture giving priority to conceptual functions rather than to operational functions (Nioche 1982), have been prone to limit any evaluating approach that they would not control (Crozier 1998, and more precisely Spenlehauer 1998b). Thus they have not really supported the development of such evaluation practices so that in past years they were not particularly successful, especially at a local level (Fontaine 1996b, 1999; Warin, Spenlehauer and Comte 1999).

Evaluation in the regional context

Taking into account local practices of evaluation, this article explains how evaluations are a component of the regional public action, that is, to which extent and how they construct and impose the regional dimension as a main benchmark to territorial policies. We studied the participation over several years to two regional systems of evaluation, one in Brittany and one in Rhône Alpes. In both cases our involvement was a particularly intimate one (Joseph Fontaine has taken part in an evaluation programme in Brittany implemented by the regional council and the state from the beginning (Spring 1990 until June 1996); Philippe Warin has taken part in the regional scientific evaluation committee in Rhône-Alpes since February 1995). We exclude here the evaluations we have observed elsewhere where we were not directly involved (Fontaine 1999a; Warin, Spenlehauer and Comte 1999). The fact that we were present in both institutions enabled us to apprehend, *in vivo*, the evaluation and to construct it as a subject of research (Fontaine 1996b, 1999) and also to analyse a public territorial action, especially a regional one, in the process of being constructed.

Both regions studied here pioneered evaluation. They were among the first to create permanent systems enabling them to evaluate 'their' policies as well as policies based on a contract with the state. However, as will be seen, they both have different reasons to develop evaluation.

The economic intervention of the state since the 1960s first prompted Brittany to resort to evaluation. During this time, the state has carried out a voluntarist policy of regional development in this region, located as it is in the West of France. It has also made the relocation or the setting up of key industries (automotive, telecommunications, etc) easier and supported the food processing and shipbuilding industries. In the 1950s and 1960s,

Brittany became in effect a large experiment in matters of regional economic planning. Regional evaluation in Brittany is marked by the legacy of this state/regional council mix. The statistical and economic approach of the evaluation practice in this region corresponds to the need to measure the 'productive efficiency' (or the link between the resources invested and the real outputs): what matters to the region is to know if the political and administrative compromise with the state can produce the same *outputs* for the state with fewer resources invested by the region or if it can produce more and/or better *outputs* with the same resources. However, this approach remained more latent in Brittany than in other regions for several reasons: less developed management control, information complexity in the state administration in the region, weak support by the president of the regional council governing until 1998, and so on.

As far as Rhône-Alpes is concerned, it is the most important and the richest region after the region Île de France (the region around Paris). The evaluation in this region is mainly based on a political approach. What is mainly measured is the 'effectiveness' of regional policies (or the link between the outputs and real impacts). The evaluation tends to examine the good running of the subsidies and programmes implemented and to observe the changes in real behaviours of the persons they are intended for. At the beginning, the president of the regional council had a very decentralized conception of regional policy. This led, therefore, to a situation where there was no longer a true understand of the legitimacy of the regional public action according to traditional dualities between national/local and public/private, but according to a different collective reality based on polycentrism and contract. Evaluation has therefore been developed in order to study the processes of action, the procedures and the programmes implemented, all of which represent fields of legitimacy for the region.

Regarding the evaluations that constitute the basis of our work (see table 2), we focus on public intervention in its territorial dimension. The actions that have been evaluated involve sub-national territories. This does not mean that they are specifically local. Either these programmes lie within an action carried out together with the state and other partners (five evaluations carried out in Brittany between 1991 and 1995, for example), or they involve a programme for which the region is responsible but that is to be understood within a larger public policy. That is what happened in Rhône-Alpes. Indeed, in this region, 12 evaluations have now been carried out. Except for the evaluations related to the 'contrat de plan', they all focus on policies ardently supported by the regional executive power.

Studying evaluation should not make us ignore evaluation practices and their aims. They strongly condition the results obtained while they express a representation of public action. Since the reality of evaluation practices can be observed, this in turn reveals local public action. We will see that this is a first indicator concerning the construction of the territorialization

TABLE 2 *Evaluations in Brittany and Rhône-Alpes (1991–95)*

Evaluations carried out by the regional committee for evaluation in Brittany	Evaluations carried out by the evaluation system in Rhône-Alpes
<p>Activities of the regional committee for evaluation are based on the implementation of two complementary approaches:</p>	<p>First evaluations solely focuses on policies initiated regionally before, second, considering actions carried out within the 'contrat de plan' (1994–99)</p>
<p>1 The so-called 'thorough' evaluations of certain policies: planned operation for improving and renovating commerce and craft industry (1991); 'ecotourism' (1992–93); town integration policy (1991–95); regional credit for consultancy (1992–94); direct subsidies to firms in areas entitled to the objective 2 of the European programmes (1992–94); individualized training programme Chèque Force (1996–98); European programmes (objectives 2 and 5b) (an intermediary evaluation was carried out in 1997); evaluation of the 'town contract' of the urban area of Saint Brieuc (1998–98); feasibility study of an evaluation concerning the environmental consequences of public policies (ongoing); evaluation of the behaviour of drinking water consumers in Brittany (ongoing); feasibility study of an evaluation concerning aids to economic development (ongoing).</p> <p>2 At the same time, the so-called 'light' evaluations of the 'contrat de plan' (1994–99) based on performance indicators enabling to monitor financial indicators and the effects of the programmes</p>	<p>1. Evaluations of policies initiated regionally: policy of transfer of technology to firms (1992–93); vocational training combining school and firm based on the innovative procedure of the UFA (1992–94); innovative procedure of the integrated programmes of agricultural development (1993–94); subsidies granted to research centres aiming at a scientific excellence (1993–95); procedure 'licence to succeed' aiming to develop the autonomy of secondary schools concerning projects designed to improve educational environment (1994–95); housing conditions, ie six programmes (1994–96); aid to economic development and its effects on employment (1995–96); assessment of the situation after the region has exercised its competence concerning the investments in secondary schools over 10 years (1995–96); accumulated procedures in the field of culture (1995–97); strategy of the programme enabling the access to a first professional experience (1995–97); global development contracts (1997–99); interurban rail transport (1997–99).</p> <p>2. Evaluation of the 'contrat de plan': medium mountain resort (1995–96); higher education (1996–97), town integration policy (1997–99); integration (1997–99), direct subsidies to industries, training-guidance-prospect and environment (decided in 1997)</p>

of public policies (see section I, below). Then we will present some elements brought by the evaluation to answer the following questions: 'Who is doing what? For which results? What does the territorialization of the public action bring in?' (see section II on p. 125).

I. THE EVALUATION, AN INDICATOR REGARDING THE CONSTRUCTION OF THE TERRITORIALITY OF PUBLIC ACTION

There are many methodological difficulties involved when you seek to measure and attribute the effects of evaluation. These difficulties are especially due to the quality of the information available and to the lack of real monitoring of public action. Such difficulties can also be explained by the metho-

dological conformism of the persons in charge of evaluation – for instance, whether they limit themselves to the quantitative data available or to the data that are easiest to construct or when they are satisfied with a more ‘intuitive’ evaluation, collected with the actors involved. Despite modest results that could logically lead the exercise of evaluation to a deadlock, public authorities, especially regions, have put up with evaluation practices. In other words, it raises the following question: how can a procedure considered to be disappointing from the viewpoint of the knowledge produced, be successful at the local level?

We would like to back up the view that instead of being troublesome, the reality of evaluation practices reveals the outline of territorial public action. To the objections raised concerning the limited relevance of evaluation to understand public action, we can reply that the institutional process of evaluation appears to be a copy of the system of action that produces policies and that resorting to evaluation can be seen as a component of public policies.

Evaluation as a copy of the system of action

First let's remind ourselves of the fact that the approach is largely working in the categories of actors ordering the evaluation (Leca 1993). They most often ask for answers in terms of efficiency, although it is difficult to isolate the artefactual effects in order to assess the results. This importance of the actors ordering evaluation and of the administrative bodies (Lascoumes and Setbon 1996) shows that the system producing public policies is strongly supervised. Evaluation as it is working in France – and we can testify that local evaluation of the territorial public policies is not an exception to this – is largely controlled by political and administrative decision makers. They favour their own logic rather than the professionalism of the evaluation and its professional code of ethics, something which by the way is rarely mentioned. In other words, producing evaluation is subject to constraints and political opportunities, rather like the ones which operate on public policies themselves.

For a serious survey to be carried out, therefore, the evaluation should give an account of a complexity that is often overlooked in analyses of public policies. The mechanisms of policies are partly brought into a particular focus that we are no longer used to by institutional approaches. Evaluation thus enables us to deconstruct policies by trying to establish a list of purposes, resources, commitments and processes thanks to which the action can develop. In the regions, the point of an evaluation that aims to measure the return on financial investment is that it enables us to apprehend the complexity of the actions, sometimes lying in the details of the budgets. It also helps us rediscover a typology – often overlooked! – of policies according to their *inputs* and *outputs*. From that point of view, evaluation studies can provide us with accurate information concerning the very substance of policies, something which is rarely studied in research based on actors and

their relationships. Accounting details are often presented in an offputting way. However, they provide accurate information on public choices as well as on the effective contents of the partnerships. For instance, the fact that evaluation data make it possible to learn about financial investments by geographic zones, enables us to speculate about the elements of political life (such as the political influence and dynamism of local elected members) that may guide the production of policies. In the same way, budgets and accounts enable us to concretely measure the reality of contract-based commitments and to wonder about the relevance of the approaches of 'governance' in terms of *institutional design*. Moreover, the trend to evaluate budget by budget, whereas the objectives involve several budgets (as is the case of policies of social and occupational integration or of promotion of employment), helps us understand how executives and services in the regions are able to construct vigorous speeches concerning their intentions. Studying evaluation practices also gives us an account of the elaboration of necessary compromises to produce public policies as well as an account of the role played by evaluation to this end: it makes the debates very specific and pragmatic and at the same time it enables us to manage certain political uncertainties linked to the political composition of regional councils and to the stability of the parties in power.

Using evaluation also shows the relations and strategies of actors. Indeed, the evaluation, as a social reality that can be observed when it is produced, brings in knowledge that is useful in analysing institutional relations. This is particularly true in the systems of pluralistic evaluation in which the main actors concerned in implementing a policy are involved in monitoring systems of evaluation (this corresponds to groups in charge of supervising studies). Further, analysing how evaluation systems are tactically employed enables us to give an account of the way the balance of power is constructed (Fontaine 1999). For instance, when regions evaluate innovative actions or programmes that need to be legitimated (this is especially the case in the field of vocational training and occupational integration), monitoring groups, presided over by an elected member (the vice president concerned by the programme evaluated), work in order to strengthen coalitions, enabling the participants to share opinions or to encourage common anticipation systems to emerge.

Indeed, changes to policy that are brought about by evaluation are limited. This opinion is shared by others, including opinions outside France (Patton 1996). For example, in Rhône-Alpes, no evaluation of the policies initiated by the region led to budget cuts; only a few programmes could have been affected by some interventions (high tech transfer and housing conditions). At the beginning the evaluations tend to have a very clear economic aim but often the results are not sufficient to lead to decision making. However, if the evaluation is not designed as a tool of radical reform, it cannot be limited to a simple incremental method. Evaluation leads to an accumulation of immediate knowledge and also to the construction of syn-

ergies in the longer run. It gives an opportunity to monitor or correct current policies and also to look for more prospective aims. Exercising evaluation in the regions, therefore, seems to be close to a 'mixed-scanning-strategy' (Etzioni 1967). It enables us to exchange points of view (in the short or long term), to inch forward (by means of corrections) and at the same time to confirm and to express choices for the future (i.e. to prepare agreements and legitimate political choices).

The fact that the regions, more than any other territorial authorities, opt for evaluation, despite the limits of the exercise, shows the nature of the regions and the regional policies. In particular, it is possible to analyse the attitude of public authorities in normative construction. The latter no longer comes from a central regulation. It becomes both a moment to diffract interests and social representations and a moment to recognize the autonomy of the different actors associated in the construction and implementation of policies. There are always times when necessary adjustments to logic, resources and representations, not necessarily determined by a sole central logic, must be made. Evaluation, in the light of this, should be seen as a mediation. Indeed, its principle relies on a practical reason that forces the participants to express their points of view and their interests in order to define policies on the basis of negotiated relations. This type of evaluation enables closer relationships between civil society, public authorities and spheres of economic activities. That is why examining it seems to be fruitful in terms of analysing territorial public action.

Evaluation as component of a regional policy: a legitimating perspective

Evaluation does not explain the whole of public action. It gives scarcely any information on the genesis and the initial production of public policies. When we evaluate, the die is cast. Most often, evaluation does not give much information about the constitution of actors, the construction of their social identity and the history of public action and the field(s) studied. It is legitimate when there is useful knowledge that can be applied with immediate effect. The rest belongs to the further research process and to speculation and not to a properly motivated and oriented action. If necessary, the persons in charge of evaluation will be reminded of this constraint when their work questions the modes of action or the relevance of the actions too much. This conception of evaluation creates a parallelism between the decision-taking process and the evaluation process. It places both of them in a normative perspective.

Far from aiming for ideals of evaluation, the strategic uses a region makes of evaluation aim to legitimate its action, to enable it to 'take all the credit for it' in the jargon and to construct a regional area of public policies.

1. Legitimizing the action

The most important function of evaluation does not consist in finding out if the public action has been successful or not but rather in creating a cloud of certainty around the action: talking about the action on the basis of tangible elements we then pretend to measure makes it exist. Thus the evaluation can be analysed as a technique to produce a discourse based on truth concerning the policy carried out. No doubt the part of political promotion and of visibility of actors allowed by such mechanisms constitutes reasons that explain why evaluation is so successful in the regions – which, as has been said, represent recent institutions that are still largely unrecognized in terms of scholarly research.

What matters here is the possibility for regional executives ordering evaluations to be able to play with the plasticity of the approach in order to guide the evaluation towards desirable directions. This political use varies according to strategic criteria: plurality of opinions, specificity of information, freedom given to conflicts or to bargaining negotiation and the possibility left to participants to change the initial order of evaluation. In this perspective, an analysis in terms of 'path dependency' (North 1990; Pierson 1993) can be carried out both regarding the evaluated action and the evaluation itself since the latter can contribute to making a system of coherent mutual anticipations within a relatively stable group of partners emerge.

2. 'Taking the credit for evaluation'

The advantage taken of evaluation by a region can sometimes go far beyond its own merits. This is the case, for example, of the policies in favour of territories entitled to European financial means to boost economic development (objectives 1, 2 and 5b in particular). Indeed, on the basis of single evaluations, we can get a distorted view of public action. In matters of structural funds, the contribution of European Union, as essential financing institution, can actually escape the notice of the persons to whom policies are intended. In Brittany, the evaluation has showed that the recipients of ecotourism aid within the objective 5b ignore the role of European Union, although their financing contribution amounts to one-third whereas those of the state and the region are the ones that are emphasized. This tells us a good deal about the advantages the regions can take of their management of European funds. Regional councils who bring in a modest contribution are rewarded at little cost. Moreover, strategies of communication can be used to reinforce this political use of evaluation.

3. Constructing a regional area

Regions are convinced that their competing relationships do not really depend on the extension of their competences to the detriment of the departments but rather on the construction of varying exchanges with local public authorities (e.g. urban areas, towns) and social and economic partners. Under these conditions, their capacity to create development areas has

become strategic. At the same time it seems that they have ceased simply to pile up funds of various origins (something that used to happen because of mutual ignorance). Regions must also switch from an extensive view of their own competences to a more focused objective of efficiency and to a logic of supporting local development policies.

Under these conditions, evaluations are increasingly used to sort out regional objectives in order of priority and to rationalize cross subsidies and partnerships. On this account, in Rhône-Alpes, the first evaluations concerned innovative actions, sometimes in fields that other actors (the state, local authorities) didn't commit themselves to. They could also concern larger policies or programmes involving more important financial means combining various budgets and a wide diversity of procedures. But throughout this period, the attention paid to the process of action has enabled the actors in the region (executive, thematic committees, services) to concentrate on the medium and long term and to think about strategies already implemented as well as those to be implemented by the region in order to construct a regional area. This is particularly obvious in Rhône-Alpes through the latest orders of evaluations regarding the regional rail transport and global development contracts (actions which are concerted and cofinanced by several levels of territorial public authorities). This shows quite well how evaluation can be used to justify a public regional area that is not limited to adding together all its sub-regional components (towns and departments) but that legitimates a regional interest in terms of the action and leadership of the region in order to build this area.

But beyond seeing evaluation as policy, or in other words as a prism of a gradual increase in power of the region at the political and administrative level, it is necessary to investigate what evaluations show concerning public action using the examples we followed in both regions.

II. EVALUATION, AS AN ENRICHING COMPONENT OF THE TERRITORIALIZED PUBLIC ACTION AND ITS ANALYSIS

Evaluation can enrich the knowledge and understanding of the dynamics of public action by inducing actors to think about the essential aspects of the changes occurring in the modes of public action, such as an increasing polycentrism, piling up of actions and procedures, and overdevelopment of management involved in political action. Being interested in evaluation practices leads us to look differently at realities that are often overlooked by the sociology of public policies.

In this respect we propose to focus the remainder of our article on three points: on the cognitive dimension of policies; on the uncertainty of systems of action; and on the added value supposed to be brought in by the regional territorialization of the public action.

Cognitive dimension throughout the action

Contrary to the prospective model of public policies, a first merit of evaluation and of evaluating works is to lead us to better take into account the

uncertainty of social relations. Because evaluation is mainly retrospective, it leads us to seek ways to 'make sense' of what happens throughout the action (Warin 1995a; Fontaine 1996a).

Evaluations in *intinere* or *ex-post* are usually employed. They emphasize concrete processes of public action. They make clear the exchanges between the displayed objectives and the realizations, the evolutions of the announced or latent objectives, the logic between actors and various projects that fit into the 'excessive' category. They especially give a quite blunt account of the improvised part of the policy which is largely concealed by the notion of uncertainty. In this respect, what the evaluations of programmes of urban development reveals speaks for itself: to special measures correspond slapdash diagnoses, multiple objectives and a situation where actions become commonplace (Fontaine 2000).

Evaluation practices also raise the difficulty of giving an account of the emergence and of the life of a public policy according to the initial production of 'sense'. This does not mean that this type of approach is not relevant (it has been proved true for national sectorial policies) but rather that it is more difficult to use in the case of territorialized policies.

Indeed, policies initiated by the regions for the most part avoid a construction that would lean on the fact that problems are divided into sectors whereas the decentralization and the contract-based policy led by the state try to extend it. Regions seem rather to focus on a cross-sectorial principle. This principle makes the distinction between the local and sectorial level blurred. This expresses the opinion, artefactual or not, that their actions have to harmonize the different competences the regions had attributed to them. This can constitute a way to preserve some room for autonomy and also an indicator showing the lack of political directives. Regional policies remain largely interstitial, compared to the policies developed by the state or by other territorial authorities, and rather mono-modal (i.e. policies of subsidies or procedures).

In the particular case of the 'contrat de plan', the contract-based action relies on a hybrid form of public action built on the difficult transition between the announced modernist norms and the more occult implementation of more or less formal rules of cofinancing (Duran and Thoenig 1996). Two other factors must be added to this: the still additional nature of regional policies compared to the ones of the state or of the other territorial authorities and the weak influence regional policies have on social and economic actors, who are rarely collectively organized on a territorial, regional or sub-regional basis. Under these conditions, policies of the regions are carried out according to logic of management and of the publicity in which evaluation practices take part, and not according to a displayed political concern to preserve social cohesion.

However, observing evaluation practices at a local level shows that social actors are always prone to favour the construction of common representations aiming to determine and direct collective action. This seems parti-

cularly true as far as territorial authorities lacking a very clear view of their own interests are concerned, and for multiple reasons: a recent decentralization process, recent institution, unstable political assemblies, fragile executives, and so on. Since evaluation represents a new mode of production of public action, it is precisely designed as an aid to define a system of reference to build actions. In that sense, evaluation can really be considered as an ex-post process of rationalization: the production of 'sense', even if it is short lived, especially in terms of the administrative and political time evolution, still remains necessary to construct the action.

We also specify, for the information of those who might be tempted to apply a rigid interpretation, the sequential approach of the policies, that evaluation questions the time of the public action in a fresh way. It can be seen that it is often a long and constant renewal. In Brittany, as far as public subsidies to local development are concerned, we observed a strong trend to renew programmes locked in relatively closed systems of action, as if public action was used to make up for contrary trends of market economy and for centralization in Paris. Moreover, public action, far from undergoing an unlikely ending, is extended to new beneficiaries from one 'contrat de plan' to the other and from one European programme to the other.

An uncertain regional system of actors

Evaluation also contributes to knowing actors and their particular logic, especially when the attention paid to them is explicitly subject to investigation.

This is the case in Rhône-Alpes where a 'qualitative' evaluation practice has been developed in order to inform the partners on the concrete processes of production of action. But the evaluation of impacts is not discredited for all that. It is implicit in most of the orders and in the terms of reference and it is often sought after. But its results, which are generally disappointing (problems in attributing the results observed, difficulty in proposing monitoring indicators), have gradually contributed to reducing the types of evaluation and to produce relatively isomorphic evaluations that combine both the analysis of impacts (those that can be quantified) and the sociological analysis based on the collection of discourse on the action produced. Even in a region such as Brittany, characterized by a strong planning tradition and by a 'quantitative' practice of evaluation, we note that no evaluation implements sophisticated methods of data processing or experimental protocols. Conclusions of evaluations often have a qualitative character even when they mobilize a lot of detailed facts and figures. Indeed, we observe a general trend to make recommendations aiming to improve the programmes of action and the partnerships rather than to assess the results of the action. Regions carry out most of their policies in partnership with other public authorities or other institutions (professional organizations, public organizations, etc.): what matters to them above all

is to be able to control the quality of mutual commitments and to assert their role as coordinator and to increase their legitimacy.

The relevance of evaluation for the actors and the processes of action is also due to the very reality of the public action. It is clear that without institutions and their agents, nothing can be done. The region and its partners do not only have to define a programme, they also have to find 'advocacy coalitions' and relevant operating modes. Logics of co-operation are entangled: evaluations make it possible to pinpoint and possibly correct the reforming activism of some of the actors and also the reserve, inertia and bypassing of others.

In Rhône-Alpes we were able to observe how the region, while essentially acting on the basis of subsidies and procedures, used to have power only in terms of influence. This weakness makes it easier for the actors who commit themselves to aid programmes according to their own logic, to diffract the objectives of the region. In reaction to that, services and regional elected members directly involved in leading the programme or in granting the subsidies have used evaluation to criticize the measures and to participate in the steering of actions (cases observed in the programme to make the access to employment easier, in the field of housing conditions and culture).

That is why the way programmes of evaluation work must be studied in minute detail. They can be good means to put a brake on possible reforms, which constitutes a useful process to avoid decision making or to practice non-decision, no longer covertly but in front of others. Evaluation can be carried out in a way that provides food for debates concerning the ways and means to operate in a context favouring 'constituent policies' (i.e. policies enacting rules over rules without presupposing the degree of agreement and involvement of the actors concerned; Duran and Thoenig 1996, p. 601). Leaving aside the reconsideration of initial objectives, evaluation gives the opportunity for discussion at different levels. This is all the more legitimate as evaluation is supposed to improve the process of action (Warin 1995b). Thus it can contribute to subtly constructing a type of *ad hoc* management that avoids internal debates concerning the general directives but is able to increase outside the control of commitments between the partners of the region.

Moreover, evaluations well confirm the quasi-impossibility for a (sole) local actor to appropriate a territory. Indeed, in past years, the number of actors intervening in a given territory increased considerably, whatever the sector concerned. This questions both the idea of 'local', the notion of objective, and the distinction between public and private. When they concern quite large programmes of action in which not only local public authorities but also territorial state-devolved services and private partners (such as organizations managing professional interests) intervene, evaluations show the lack of relevance of the concept of local public policy, in which the term 'local' would represent the subject. Therefore the local rather appears as a

mere area of intervention or experimentation. The diversity of the relevant geographic levels, but also the role of mediators who manage public subsidies and of addressees in the construction of projects, make it difficult to attribute the credit of the action to the region. Therefore it becomes difficult to demonstrate the autonomy of regional action. Using evaluation confirms that in the French local system, there is no real local object but rather a local dimension of political practices (Lagroye 1994).

Uncertain results of territorialized public action

It can be said that evaluation leads us to be careful about coming up with explanations too quickly when they are more ideological than 'scientific'. On the one hand, it tends to make actors more aware of the uncertain character of public action. Public policies *are* uncertain and it is sometimes difficult to measure their results. According to policies, or even within the same policy, things are so confused that assessing them is nearly impossible. On the other hand, public intervention, if it is not the panacea, doesn't seem to amount to this waste largely denounced in the 1980s. It is not a blind mechanism, the results of which will necessarily differ from the ones expected.

Programmes of public action can have effects partly corresponding to the objectives. In Brittany, the evaluation of reforming actions of trade and craft industry, the objective of which consisted among others in boosting the building industry which is essential to the rural areas of Centre-Brittany, shows a good ratio of subsidies/realizations of works. It even shows that the number of craftsmen and shopkeepers affected by the action is more important than the objectives fixed. A larger evaluation concerning ecotourism also points out that public subsidies may have represented indisputable incentives. We can note different scenarios: there have been projects which otherwise would never have been carried out, the investment has been more important or quicker than expected. Public subsidies have sparked off projects. In a lot of cases, the opportunity to benefit from public subsidies has induced local actors to develop and structure actions in favour of tourism.

In Rhône-Alpes, as well as in Brittany, evaluations help to measure the success of displayed objectives. This is the case through the systematic measure of the use of regional aids and the immediate and punctual 'leverage effects' they may have provoked (i.e. behaviours that wouldn't have existed without these aids). This is particularly true for evaluation of short-term programmes, decisions on which can more easily lie within the scope of annual budgets. As far as policies in the longer run are concerned, the evaluation is finalized according to a correcting hypothesis of aids, measures, targets and partners during the policy. In that case, evaluation turns out to be a 'strategic study', even it has never tried to estimate the 'organization effects', that is, the impact of the regional action on the strategic behaviours of the actors concerned in the longer run.

However, it is not always possible to 'read' the results of public action. The results themselves can even be doubtful. Indeed, when reading the reports given to the regional committee in Brittany, the evaluation of the subsidy granted to restructure industrial zones in difficulty (objective 2 of the European structural funds) makes the reader puzzled: of course, public subsidies don't do any harm but they do not work miracles either! Considering the subsidized sectors of activity, we cannot put forward with certainty that the programme has enabled regions to diversify industrial activity. According to the very terms of the progress report concerning the evaluation, if 'a positive trend seems to emerge', indicators brought in by evaluation enables us to say from a financial point of view that there is 'no refutation of the hypothesis of a positive evolution of subsidized firms' and that 'the objective of policies of aids, of preservation and promotion of employment is then probably partly reached with the subsidized firms' (taken from the report, *Evaluation de la Politique 'aides directes aux entreprises'*, August 1994, p. 12). The same thing can be found for the effects of the policies on employment that we tried to measure in Rhône-Alpes. How do we assert that the results observed can be attributed to the action of the region and to which extent?

As for the failures of public action revealed by evaluations, they can be explained, either by thoughtless objectives, or at the same time by inappropriate modes of running the evaluation. We are reminded here of the consideration of some elementary notions of the sociology of action. Indeed, evaluations remind us that public action is less successful when the promoters of public programmes try to change the behaviours too quickly without anticipating reactions, though foreseeable, of the addressees who face the requirement of rapid breaking off with professional practices and culture. Evaluations also show that modes of running are out of step with the changes wanted because the partnerships envisaged raise problems. Generally, organizations representing professional interests, for example, play a role in quite an uneven way (and which is not ambitious enough) whereas territorial state-devolved services in charge of procedures appear not to be dynamic enough. Other evaluations also remind the regional councils of the touchiness of state administrations. This is particularly true in the domains subject to powerful professional corporatisms or those which have taken advantage of a lot of programmes for a long time. It was especially the case in Rhône-Alpes for the evaluation of the policy of high school construction, including the example employed in our research. For the former, the institution representing the ministry of state education (commissioner of education) and for the latter, the university presidents had been very watchful concerning the intentions of the region and particularly active in the monitoring groups of evaluations. Under these conditions, evaluations must be very careful not to advocate orientations of public policies at the risk of being rejected for their excessive interference.

There is still one outstanding question, the one that concerns the value

of regional public action. We will say without prevarication that considering the single evaluations, we are not always able to point out the added value of decentralization. We hold to the hypothesis but it is important to distinguish here the territorial public authorities having management administrations – the municipalities and, increasingly, the departments – from the regions largely devoid of it until recently. For the latter, evaluations reveal that decentralization contributes to reinforcing the political anchoring of policies. This is particularly obvious in the case of urban development actions. Decentralization places municipalities, which are strongly involved in it from an organizational point of view, in a situation of coordinators or even of prevailing actors even when there is a partnership with the state; in evaluations, it lags behind rather than acts as a driving force (Fontaine 2000). But, without it being non-existent, the role of the regions as regulator of public policies is not altogether clear. In this respect, evaluations of regional policies, even if they are carried out according to objectives and methods taking into consideration institutional synergies, generally give an account of objectives of regional action that are not well asserted. Two of the main problems faced are due to the difficulty regional executives have in defining global priorities sufficiently hierarchized and guided in order to point out choices and with few exceptions to the quasi-non-existence of socioprofessional actors likely to organize a local representation of interests.

Beyond both the regions studied, and integrating other domains (Warin, Spenlehauer and Comte 1999; Spenlehauer and Warin 2000), we add here that it is all the more difficult to give an answer to the question related to the value of regional public action as the terms of reference of evaluations do not raise the question of the territorial optimum of the region. However, regional executives deciding on evaluations suggest that sometimes the studies question the means to get more territorial power in order to give sense to the place of the region in the policies for which it is the only actor responsible. It is important to think about the regionalization of financing systems, the territoriality of the presence of elected members, the reinforced local logistic supports, the reorientation of the action of intermediaries, and the redefinition of management tools, especially in terms of measurement and monitoring.

Evaluating evaluation

If we were to cite other examples, we would realize, without lapsing into the model of the 'garbage can', that public policies are shaped by several forms of limited rationality. Evaluation tries to list the provisions contained or inferred by the policies and the systems of action. Its relevance is to give access to a range of rationalities guiding the actors and that the analyst can try to untangle in order to give an account of existing logic. When they are carefully carried out in the design of a policy or an action, evaluations give an account of the whole rationalities that can be classified according to

known typologies, such as the one we owe James March. Since the quality evaluations are able to compare the results of a policy with the processes of implementation, they can save the analyst the trouble of too rapidly taking the initial decisions as the sole point of reference for failures and successes of the policy considered. Studying evaluations faces the analyst with the complexity of the processes of working out and implementing policies; it incites him or her to work in several dimensions.

In this respect, evaluation is less the step of a sequential plan than a precipitate of all the steps of a policy. Thanks to a direct link to the object, evaluation can bring in some ideas for observation and for thought that are useful to analyse both the whole and its parts. It can also protect the researcher against the risk of paradigmatic or theoretical specialization that may occur in any study of public action.

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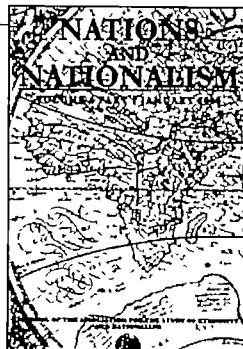
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THE MAINTENANCE OF EXECUTIVE CAPACITY IN GERMANY: REVISITING THE ANNUAL BUDGET OF THE EUROPEAN UNION

G.P.E. WALZENBACH

This article considers the executive capacity of the German government to coordinate the annual budget of the European Union in the post-Maastricht period. It identifies and elaborates two broad sets of factors essential to the development of this routinized policy process: internal executive coordination through specialized administrative techniques and coordination with external actors through multi-level institutional adjustments. The emergent picture shows the success of the Federal government in maintaining its executive capacity within an Europeanized policy sector.

INTRODUCTION

German reunification and preparation for Economic and Monetary Union (EMU) both revived a long-standing debate focused on the budget of the European Union (EU): should German contributions to it be guided by the goal of increased political integration or of increased financial returns from European policies? For some time, the Federal government held the view that increasing the policy competencies of European institutions could dovetail with improving Germany's position as a net-contributor (*Nettozahler*) (Regling 1996). In reality, however, German gross contributions continued to account for almost one-third of the total EU budget and net-resource transfers from Germany to the EU reached a level of approximately 8 billion pounds (11 billion euro) in 1998. Hence, the decision of the German core executive during the Conservative-Liberal coalition to give priority to stabilizing the outflow of resources.

External observers tend to agree that from 1992 onwards the German government changed its traditional policy stance and became less willing to play the 'accustomed role of Europe's paymaster' (Katzenstein 1997a, p. 28). The consequences were twofold: in internal domestic affairs, financing economic reconstruction in East Germany and the need to meet the convergence criteria for EMU could be used as an alibi by parts of the Federal government to support their own restrictive policy aims (Bulmer 1997, p. 69). Equally important, in external relations with EU institutions, the policy change was seen as having profound implications for the way the German

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executive conducts business in Europe and would soon show its repercussions on the EU's own policy agenda (Anderson 1997, p. 105).

Nevertheless, and similar to the situation in 1988, the 1992 negotiations on the Community's financial perspective were still secured largely by the willingness of the German government to accept the above budgetary scenario, thereby breaking a deadlock among the member states (Walter 1996). The successful conclusion of Inter-Institutional Agreements between the European Parliament (EP), the Commission and the Council of Ministers introduced a binding five-year financial plan and set rules of procedure for annual adjustment and revision.

How has it been possible for the German government to maintain and develop its coordination capacity in EU financial affairs despite an increasing number of budgetary constraints? In the context of EU policy formation in Germany, emphasis has been put on the advantages connected with the structural congruence in power arrangements at different levels of governance (Katzenstein 1997a, p. 45). As a consequence, the coordination capacity of the German government in EU affairs can be seen as dependent on its continuing ability to establish policy congruence with EU institutions by respecting the *acquis communautaire* in new proposals and by accepting the outcomes of previous cumbersome negotiations (Bulmer 1997, p. 57).

Yet the maintenance of coordination capacity in a federal executive in a changing policy environment does come at a cost. In order to ensure policy congruence over time, administrative procedures have to be adaptive and encompassing reorganization has to be taken into consideration. As formal structural changes not only constrain individual behaviour but also create and increase coordination capacity in certain directions, they frequently eclipse routine tasks of shaping the EU policy agenda by presenting technical dossiers to the Council of Permanent Representatives (Coreper) within a fixed timeframe. Taken together, these structurally induced ways of information exchange, consensus building and conflict resolution cumulate in expressing a country's coordination profile.

In the context of EU policy, the governmental exercise of financial restraint will be difficult if coordination structures are permeable and provide multiple points of access and veto for actors outside the core executive. In this respect, the fragmented and power-sharing institutional arrangements of the German federal system seem to create *a priori* conditions not amenable to stabilizing or even cutting public expenditure (Ross 1997, pp. 177–8). Within an Europeanized Germany, the capacity for policy leadership might be considered to shrink further as authority is shared with other levels of government. By contrast, this article considers institutional adjustment as a key variable that gradually insulates domestic coordination processes in budgetary matters from EU spending demands by bringing about refinements in the standard-operating procedures that connect executive actors with European policy arenas. Although EU institutions interfere with the coordination capacity of political executives in the pursuit of national

objectives, their powers might become more compatible with autonomous coordination at the domestic level (Goetz 1996). In theory, at least, the horizontal coordination process at the European level can preserve the coordination capacity of national executives and protect the vertical coordination function of their central administration.

So far, the argument presented in this article has taken the side of a state-centric, intergovernmentalist approach to the EU. The dynamic development of integration processes is not only compatible with independent state capacity but does indeed allow national executives to 'enlarge their autonomy by monopolizing critical phases in the policy process' (Kurzer 1997, p. 32). While this theoretical point holds for the coordination phase of the annual EU budget, it also has broader implications for EU policy-making in general, whenever decision-making on framework agreements operates on the basis of unanimity and leaves more detailed policies to further rounds of negotiation at various levels of government. Then, as Hooghe and Marks (1997, p. 22) put it, states could still be able to 'maintain individual as well as collective control over outcomes' and the 'overall direction of policymaking is consistent with state control'.

Of course, both these authors, in their final analysis, favour an alternative 'multilevel governance model' in which the integration process leads to a substantial weakening of the state (Hooghe and Marks 1997, pp. 38–40). Implicitly, they assume that coordination capacity has declined because national executives are not any longer in possession of exclusive decision-making powers and instead share them with collective European and sub-national actors in a number of interconnected political arenas. Although their notion of a reallocation of national state authority across two or more levels of government may be useful as a general description of EU policy processes, it should not divert attention from what capacities remain within the core executives of the member states.

With a few exceptions, observers seem to have been more interested in EU negotiations *per se* and in their implementation than in their interplay with departmental arrangements at the governmental level in the initiation, agenda-setting and formalization stages of the annual EU budget (Theato 1994). Nonetheless, that distinction is somewhat artificial given the constant feedback loops and the nature of coordination as an ongoing, highly repetitive cycle that utilizes information from previous budgetary years. Continuing on that view, this article attempts to show how the German executive has in fact maintained its coordination capacity in an Europeanized policy sector. It first describes the routine procedures of executive coordination in the case of the German contributions to the EU budget, as a way to stress that the relative importance of actors and arenas (and hence executive capacity) varies throughout the annual cycle. Next, it examines how external pressures, in the form of economic convergence criteria, impinge on the coordination process, thereby reshaping policy ambitions and requiring new administrative techniques at the level of the core executive in its

relations with other agents of coordination. Finally, the article examines some of the main factors triggering institutional adjustments across different levels of the EU budgetary procedure with a view to assess the relevance of a state-centric approach in the light of previous writings on EU policy coordination in Germany.

THE ANNUAL EU BUDGET CYCLE AS A ROUTINIZED PROCESS

Almost perfectly, the annual budget cycle exemplifies the internalization of EU policy needs and constraints by entrenching certain 'norms', which restrict the autonomy of actors to reduce coordination costs. Most standard operating procedures in this area confirm the general division of executive competencies in EU policy-making. Politicized issues which do come up in the day-to-day work routine are dealt with at the level of division heads, whereas issues of 'high politics' related to treaty revision and reform with far-reaching long-term and structural implications are taken up by state secretaries and ministers (Héritier 1999, p. 14; Marks 1993, p. 406).

With reference to practices in other member states, Albert-Roulhac (1998, p. 220) proposed that we see EU budgeting as a 'hybrid process' because it involves national civil servants who simultaneously participate in national inter-ministerial negotiations and decision-making at the European level. In her account, the coordination of budgetary decisions is perceived exclusively as a constraint on national governments as 'both levels are so closely entangled that they cannot be isolated one from another' (*ibid.*, pp. 220–1). However, as this section will argue, in the case of German contributions to the EU budget, it is possible to clearly identify different sets of actors and arenas involved in the annual financing process at two levels. Moreover, with a focus on informal practices of budgetary behaviour in addition to formal rules, the question of where precisely institutional arrangements safeguard executive capacity at the national level can be addressed.

Article 203 of the EC Treaty divides responsibilities for budgeting between the national and European budget authorities and requires a formal law to be passed before the budget can be adopted. Depending on the type of expenditure, the coordination process comes to completion either with a final decision by the Council of Ministers or, in the case of the co-decision procedure, with the final consent of the EP (Peffekoven 1994, pp. 15–22). At the national level, special procedural rules of the Finance Ministry and the general procedural rules of the Federal government (*Allgemeine Geschäftsordnung*) provide a secondary guide for the organization of inter- and intra-ministerial affairs. Within this framework, four sequential phases can be identified, each reflecting different sets of actors and arenas involved in the annual formulation of the EU budget. They show that room for manoeuvre continues to exist at the domestic level. The thorough description of these phases carries an additional advantage: the routine nature of the annual cycle reflects a less 'sectoralized nature' of executive coordi-

nation in Germany than has been observed previously (Bulmer and Patterson 1987; Rometsch 1996).

Phase I: the Commission as the main actor

At the first stage of the coordination process, the Commission is the most important actor: national institutions generally do not possess data of the same quality and quantity on resources in other member states. All governments are formally obliged to inform the Commission directly on their annual national revenues and national expenditures. Similarly, the administrative committees of the Commission provide detailed information with implications for the EU budget according to their internal working arrangements. At the same time, national positions first enter the process in the regular January meeting of the Ecofin Council, when the annual budget appears on the agenda. In parallel to Council meetings, civil servants of the German Finance Ministry do participate in negotiations in the Commission's special finance committees.

At the domestic level, in Germany, the Ministry of Finance takes the lead in the EU budget formulation process and has to present the government's official viewpoint. Together with the Ministry of Agriculture it makes use of the Commission's statistical material as a basis for all calculations in the preparation of the new budget. The aim of the Finance Ministry, based on the collection of accurate data, is to arrive at a critical assessment of last year's budget. The report of the EU Court of Auditors plays a crucial role in this bureaucratic exercise. With the ratification of the Maastricht Treaty, the Court received the full status of an EU institution, including control rights inside national administrations in order to certify the legality of all annual budgetary transactions (Friedmann 1996, p. 52). In turn, however, it also offers welcomed information to net-contributors on potential problems in the execution of the budget and on still-available resources.

In the first phase, the Ministry of Agriculture receives its own formal draft proposal in Spring and, frequently, an earlier excerpt of the European Agricultural Guidance and Guarantee Fund (EAGGF). The document contains working assumptions that are discussed in the Commission's EAGGF Committee, in which the Ministry of Finance will represent the Federal government, while staying in close contact with the Ministry of Agriculture by means of a 'mirror section' (*Spiegelreferat*). After the budget section of the Ministry of Agriculture receives the budget dossiers from the Ministry of Finance, it will ask specialized sections of the ministry to assess the accuracy and reliability of the Commission estimates. Toward that end, the EU budget section in division 7 (*Allgemeine Agrarpolitik*) of the Ministry of Agriculture compares its own forecasts with those of the Commission. The Ministry of Finance will be informed of any significant differences and has the right to raise the discovered problems in the EAGGF Committee. In sum, both ministries rely in this phase on Commission estimates but can

use other EU institutions to make their critical assessment of budgetary appropriations heard at the EU level.

Phase II: intra-ministerial coordination

In the second phase, coordination inside and between various sections of the Finance Ministry dominates the budgetary process. Together with the other member states, Germany is formally required to present in the advisory committee of the Commission estimates concerning the EU's own-source revenues according to national GNP growth and the base used for collecting the value-added tax (*Mehrwertssteuerbemessungsgrundlage*). At the EU level, only upon the conclusion of deliberations in this advisory committee, the Commission can integrate the data from individual countries into a first formal draft proposal for the new annual budget. The cornerstones of this budget (its total volume and growth rate) will thus be known by all governments by the end of April.

In the German executive the main responsibility for the annual EU budget is held by division IX for European and international financial relations (*Europäische und internationale Finanzbeziehungen*) in the Ministry of Finance. In its sub-division IX A, four out of seven sections (*Fachreferate*) deal specifically with financial questions related to the coordination of the EU budget. For this purpose they also keep close contact with section IX A 6 entrusted with the task to implement anti-fraud measures. It is section IX A 3 that calculates the German contributions to EU resources (VAT and GNP percentages) and ensures that budgetary decisions are made according to the provisions of the EU Treaty (Messal 1991, pp. 32–43). Well in advance of the meeting of the Commission's advisory committee, the EU budget section (IX A 3) contacts division I of the Ministry of Finance dealing with the fundamentals of national budget policy (*Grundfragen der Finanzpolitik*). There the section responsible for tax estimates and revenue reports provides the latest forecasts on the total Federal budget.

The Ministry of Finance is now in a position to recalculate its forecasts on the German EU contribution. Those forecasts will be included in the national tax estimates for the Federal budget (*Bundshaushalt*) once the EU budget section has passed them on to division II of the Ministry of Finance. At the same time, the Finance Minister will be briefed on the forecasts in preparation for meetings of Finance Ministers that take place twice a year outside formal EU institutional arrangements. In advance of these meetings and after bilateral talks with the head of division IX, the section heads will also have presented their calculations to the permanent state secretary who is the most senior civil servant in their ministry. Thus, coordination capacity seems to be firmly located at the domestic level due to the expertise of the federal bureaucracy and informal intergovernmental meetings.

Phase III: inter-ministerial coordination

As the Finance Ministry has the formal lead in negotiations (*Federführung*) concerning the EU budget, these could be seen as purely sectoralized exer-

cises. The actual conduct of executive coordination in the third phase, however, does suggest otherwise. In April of each year, the President of the Council, the Commission and the EP conclude their general discussion on the structure and composition of the annual budget (*Haushaltstriolog*) at the EU level. One month later, the third phase of the coordination process begins with a formal meeting of the Ecofin Council to review the basic fundamentals for next year's budget. As this meeting is prepared through the Committee of Permanent Representatives (Coreper), the German delegation receives a written instruction from the Ministry of Finance.

Shortly afterwards, once the Commission has completed the draft version of the annual budget, it is standard practice to have a first meeting of the EU Budget Council. In July it reconvenes for the formal reading of the new appropriations. The German delegation in the Budget Council is led by the permanent state secretary in the Ministry of Finance. Its preparation is more specific than what is required for Ecofin meetings and therefore handled by the respective sections in the Ministry of Finance for general European financial affairs, for agriculture and for the EU budget.

As a rule, Germany's chief representatives in both institutional contexts will maintain the line of negotiation as previously agreed upon in the executive's inter-ministerial negotiations. Conflicts that arise over individual budget items will frequently be resolved at the level of section heads, before negotiations begin in Council working groups. There, country delegations will give statements on problems related to EU spending programmes and, in particular, on missing figures for the expected costs of single budgetary items (*Finanzartikel*). Issues that remain contested can be raised in the appropriate divisions of the Ministry of Finance, as well as in the Council working groups. If a working group fails to find a solution, passing the dispute to the ambassador level in Coreper, the state secretary in the Ministry of Finance first will have to issue formal instruction as regards a reformulated negotiation position. This carefully designed administrative procedure safeguards the outcomes of inter-ministerial bargaining. To this end, section IX A 2 for general European financial affairs in the Finance Ministry also operates as a mirror section to a respective unit in the Foreign Office (E 20). Both will countersign the draft proposals of their respective counterpart or, if need be, demand modifications in negotiation lines.

Phase IV: parliamentary approval

Finally, in October, the first reading of the annual budget takes place in the EP, followed by the second reading in the EU Budget Council a month later. The preparations in the German executive for the second reading are less intense than those for the first and can proceed with little vertical coordination between administrative sections. In this fourth phase, executive capacity is maintained through the close working relationship between the ministerial bureaucracy and Parliament. Before and after the meeting of the

EU Budget Council, the budget section in the Ministry of Finance is obliged to report to the Committee for Affairs of the European Union (*Ausschub für Angelegenheiten der EU*) in the Federal Parliament.

In this context it is important to note that the *Bundestag* has the final say in the formal adoption of the total budget as well as the right of control on all formal budget decisions (interview, chair of the EU budget sub-committee, 1997). These two functions also have to be fulfilled with regard to German contributions to the EU budget under respective Treaty provisions. As a consequence, all negotiations in Brussels are made by the Federal government under a special budgetary restriction (*Haushaltsvorbehalt*), unless new financial commitments form part of an already approved Federal budget. As a consequence of this formal rule, the Federal Budget Committee (*Bundeshaushaltsausschub*) can attempt to influence the German chief negotiator in Brussels before final decisions are made. The Ministry of Finance nevertheless welcomes the interaction, particularly with the members of a sub-committee (*Unterausschub*) that forms part of the Federal Budget Committee specializing on EU finances (Walther 1993).

Only with the completion of the annual cycle, at the end of the fourth phase, does the coordination process move entirely from inter-ministerial bargaining to intergovernmental negotiation at the EU level. The EP formally adopts the new annual budget of the EU in December, while at the same time the budget section in the Ministry of Finance is in a position to present the complete set of figures to the political leadership. With key decisions made in the EU Council, it must be emphasized that despite the routinized nature of budgeting, the capacity of domestic executive actors to influence and direct coordination processes remains strong. Furthermore, as this capacity varies with the phases of budgetary negotiations and the different involvement of actors at the national and European level, it would be misleading to speak of a general 'hybridization' or 'fusion' of budget policies in the post-Maastricht period.

COORDINATION TECHNIQUES

Routine is of course not everything. In budget making, as in other policy areas, new perspectives have to be learned and processed. In the largely unsettled policy environment of the EU new policy agreements, issues such as the EMU convergence criteria have been only imperfectly absorbed; they were, therefore, a potential source of contention and division within the executive, thereby intensifying the need for coordination. Between readings of the annual EU budget in the Council, the government's internal coordination process continues, particularly if national positions determined previously cannot be defended at the European level. Frequently, pre-established lines of negotiation will erode, necessitating new attempts to agree a compromise solution with other member states. Consequently, the

bargaining process at the domestic level is revived among those civil servants who previously expressed concern to modify a negotiation strategy.

Some observers have characterized the EU budget process as a prime example of the 'joint decision-trap' (Scharpf 1988, p. 255; Begg 2000, p. 59). According to this interpretation, substantial reform of European financing arrangements is blocked because of the redistributive nature of most Community policies and the constant need for consensus building in the Council of Ministers in negotiations leading to long-term financial perspectives. However, as Héritier (1999, p. 1) observed in a number of EU policy areas, stalemate can be circumvented by the use of informal strategies qualified as 'subterfuge' and 'escape routes'. A similar point can be made with reference to annual budgeting if her argument about the possibility of switching policy arenas *vertically* is taken seriously (*ibid.*, p. 92). In a state-centric account, special administrative process patterns – or coordination techniques – at the level of the core executive are a means to establish policy congruence between domestic and European institutions. Precisely because of the firm embeddedness of the annual EU budget in long-term two-level institutional arrangements, budgetary appropriations may require such techniques to enable the Federal executive to maintain its room for manoeuvre in short-term expenditures. Supplementary budgets and letters of amendment, comprehensive cut-back lists, case-by-case examinations and sporadic interventions by the Chancellor/Finance Minister tandem, all are used to ensure consistency among the policy objectives of the Federal government and to establish policy congruence with EU institutions.

Supplementary budgets and letters of amendment

In agriculture, the largest segment of the EU's payment scheme, supplementary budgets (*Nachtragshaushalte*) and letters of amendment (*Berichtigungsschreiben*) play a prominent role (Strohmeier 1994, p. 234). The latter refers to corrections of original estimates, which are made before the final acceptance of the official budget by the EP. After completion of the fourth coordination phase, substantial changes must take the form of a supplementary budget. Most of the time, this follows almost naturally from differences between financial forecasts and actual developments. The results of harvests, the price differentials between the common and world market (which have effects on the payment of export refunds) and currency fluctuations cannot be precisely anticipated.

In contrast to national budgeting, EU contributions are provided by the member states only for fixed expenditure items in any specific year. Thus, as soon as the Commission (or an individual member state) realizes that some resources will not be used, the original calculations should be revised according to the aforementioned methods. In procedural terms, those methods will be undertaken similarly to the regular budget process and thus again include Commission committees, the EP and the Council of Ministers as actors in a horizontal coordination pattern. Yet, in Coreper, sup-

plementary budgets and letters of amendments are treated as A-items, in order to handle technical matters of financial restructuring without a special meeting of the Budget Council. According to the Council's rules of procedure, respective revisions can be approved without separate discussions.

Comprehensive cut-back lists

The preparation of an annual cut-back list (*Kürzungsliste*) provides a good example on how to construct a consensus around a set of central ideas by insisting that 'there is no alternative' (Hayward and Wright 1999). In combination with arguments referring to past expenditure commitments, the precarious situation of public budgets and the convergence criteria of the Maastricht Treaty, this devolution technique has been used to contain demands from the spending ministries (Stark 1996). In procedural terms, the Federal Budget Committee first has to vote on highlighted (i.e. controversial) items as proposed by the Ministry of Finance. Negotiations then move on to the Coreper level and, finally, to the EU Budget Council, where state secretaries and junior ministers meet to reach final agreements on individual outstanding issues.

In the inter-ministerial coordination process that precedes Coreper negotiations, the paramount concern is to reduce the size of the arena to be coordinated, either by cutting the number of departments involved or by using concepts that cover the EU budget as a whole. This has the advantage of circumventing the standard negative-sum game involved in budgetary rectitude and, therefore, can do without direct intervention by the Finance Minister or Chancellor. In the case of the Ministry of Agriculture, for example, demands can only be formulated within a pre-fixed spending guideline (*Agrarleitlinie*). Thus, while the Finance Ministry asked for even reductions in spending *across* the agricultural sector, it left the precise formulation of those reductions to the sections in the Ministry of Agriculture (interview, civil servant of the EU budget section in the Ministry of Agriculture, 1997).

Officials from the Ministry of Finance and the Ministry of Economics are usually loyal partners in cut-back management. If conflicts in contested areas such as consumer protection and energy policy do arise, they will be solved at the level of division heads. Both ministries have underlined the fact that other ministries must follow their restrictive policy stance. Their rejection of new appropriations follows from an unique expertise on the scope and quality of EU spending programmes and, frequently, employs the principle of subsidiarity as a way to justify the cancellation of a position in the EU budget. The possibility to introduce instead a blank item (*Leertitel*) suggests itself, whenever ministries have not taken a conclusive view in response to an expenditure announcement by the Commission. It offers another escape route when early conflicts between the two levels of government should be avoided.

Traditionally, the Foreign Office has been seen as playing an effective

counterpart to the sometimes 'inflexible book-keeping approach' of the Finance Ministry (Bulmer and Paterson 1987, p. 69). Its interests primarily concern the proper financing of measures to be taken in the context of a Common Foreign and Security Policy (CFSP), of accession agreements and of cooperation agreements with third countries (Monar 1997, pp. 60–72). In the negotiations leading to a consensus for a cut-back list, there was little evidence of this alleged Foreign Office–Finance Ministry rivalry in EU affairs. The officials responsible for Germany's external relations supported the government's general budgetary negotiation line as determined in the inter-ministerial meetings that takes place in the third phase of the annual coordination cycle. In the past, foreign policy-makers emphasized an overriding interest in political integration, claiming, as a fall-back argument, that Germany runs the risk of isolation in Brussels. However, with entrance into the third stage of EMU, that reasoning works in the opposite direction. Now other leading EU member states also support stability measures at the European level. Consequently, as regards the annual process pattern, the primacy of foreign policy has been successfully challenged, not least because of the budgetary problems existing in other member states and the growing number of net contributors (Begg 2000, p. 54).

Case-by-case examination

The EP decision-making process focuses on the annual budget as a whole and the adequacy of expenditures across policy areas (Theato 1994, pp. 39–51). By contrast, the sub-committee of the Federal Parliament takes a national perspective on individual budgetary items. It re-examines Commission proposals on a case-by-case basis in order to assess their compatibility with the Federal budget. All EU dossiers with financial implications have to pass this committee. It has the right to summon members of the executive to its meetings and, in addition, holds a special institutional arrangement with division IX of the Ministry of Finance. The head of the sub-division for EU financial relations has to maintain regular and close contacts with the committee. Most members of the Budget Committee critically observe a still-increasing number of programmes initiated by the Commission and regularly endorsed by the EP. This behaviour begs the question of how precisely funding is provided, to what extent parallel financing arrangements are used, and how resources from different budgets might be cumulated?

The sub-committee meets every four weeks and deals with an agenda that contains up to 40 items for each session. All EU draft proposals are sent to the secretariat of the Budget Committee where they 'arrive sometimes quite early, sometimes three days too late, but without a homogenous quality' (interview, deputy chair of the EU budget sub-committee, 1997). Division IX in the Finance Ministry prepares for each item an official two-page statement explaining the government's viewpoint. Again, this entails, in addition to routine preparation and follow-up discussions, internal

negotiations with other ministries in case they disagree with the views expressed by Parliament. The actual or pending rejection of EU proposals by the Federal Budget Committee works against an early erosion of positions in the negotiations at Brussels, strengthening the executive's role in external bargains.

Sporadic interventions by the Chancellor/Finance Minister tandem

Occasionally the quest for policy congruence triggers off coordination orchestrated by a core executive that is centralized around tandem efforts of the Chancellor and Finance Minister. In the German government, with its strong tradition of *Ressortprinzip*, the Chancellor will take a personal interest in individual items of the budget only in exceptional circumstances (interview, civil servant of the economic and fiscal policy division in the Federal Chancellery, 1997). In case the Chancellor intervenes in the routinized coordination process this is, for example, reflected in a revised instruction to the permanent representation. More importantly, in disputes between the member states with far-reaching financial implications, final decisions can remain exclusively in the hands of the Chancellor (examples being the renegotiation of the Lomé convention and the sourcing of the European Development Fund). A further coordination loop will then be added to provide briefs on the state of affairs in advance of special EU summits (interview, civil servant of the section for general European financial affairs in the Ministry of Finance, 1997).

Both Chancellor Helmut Kohl and Finance Minister Theo Waigel declared on several occasions that Germany would seek an adjustment to its budgetary contribution before agreeing to new areas of EU spending. To this end, it seemed sensible to charge the Finance Ministry with the task of coordinating EU policy more generally. In practice, the Ministry is represented in all EU Council meetings that could have financial implications; it therefore seeks to ensure that new policy proposals will be evaluated at an early stage. To see the Ministry of Finance as the 'superministry in the making', however, would mean to neglect the role of the Chancellery. Formally, as stated in Article 65 of the Basic Law, the Chancellor sets the guidelines of policy (*Richtlinienkompetenz*). For this purpose he relies on an administrative support structure that is designed to create a mirror image of the work conducted in the federal ministries. With reference to policy-making capacities in the second half of the Kohl government, Goetz (1997) qualified this entity as the 'focal point' for all aspects of political coordination.

Whenever budgetary questions are placed on the agenda of a European Council meeting, the Chancellor requires briefing (Bulmer and Paterson 1987, p. 69; Rometsch 1996, p. 70). Primarily, this task falls to section 211 responsible for 'European integration' in the foreign policy division of the Chancellery. In the specific context of EMU, this unit received additional support through a section located in division 4 with responsibilities for

economic and fiscal policy. In turn, the policy leadership of the Chancellor in matters concerning EMU is also exercised in Cabinet meetings which then have repercussions for the formulation of the annual EU budget (interview, civil servant of the EU budget section in the Ministry of Finance, 1997). Even if controversial issues did reach the Cabinet table, the Finance Minister did not need in practice to invoke his suspensive veto on public expenditure proposals (Horst 1995). Because Cabinet decisions are made unanimously, the Chancellor deals with potential conflicts through informal, bilateral talks with his ministers which are held before the actual meeting. Similarly, informal contacts between division IX of the Ministry of Finance and the economic and fiscal policy division of the Chancellery can rule out potential conflicts on the basis of the working results achieved in the ministries (interview, civil servant of the European financial affairs section in the Ministry of Finance, 1997). In order to maintain and increase executive capacity in the short run, this type of interaction complements the regular participation of civil servants from the Chancellery in the routine inter-ministerial meetings further down the administrative hierarchy.

MULTI-LEVEL INSTITUTIONAL ADJUSTMENTS

Are systems of multi-level governance as unstable as Hooghe and Marks (1997, p. 39) expect them to be? According to their line of argument, the allocation of competencies between national and supranational actors remains ambiguous and contested in the long run. Arguably, the use of internal coordination techniques as described in the previous section would then not provide a sufficient condition to maintain executive capacity. A potential counter-argument would rest on the assumption that in a multi-level polity national actors still hold a strategically privileged position to influence external procedures in a way conducive to their long-term policy goals. As before, deadlock can be avoided, this time by well-thought concessions to political actors outside the core executive and the mutual settlement of conflicts via 'framework solutions' (Héritier 1999, p. 19). Indeed, the agreement on and revision of such general structural arrangements opens up new routes along which executive capacity can prosper. The German government has actively pursued a number of institutional adjustments to alleviate the external coordination burden. This entails an attempt to partially displace policy-making responsibilities (and costs) to the Ecofin Council, the Federal Parliament and the German *Länder*. The evidence presented in this section suggests that such modifications, though successful in terms of executive capacity, can come at the price of sometimes delayed decision-making processes in the formulation of congruent policies.

Relations with EU institutions

As mentioned above, an Inter-Institutional Agreement between the Council, the Commission and Parliament set out the spending targets for EU expenditures in the 1993–99 period. It finalized the financial perspective included

in the *Delors-2 package* at the EU summit in Edinburgh. Subsequently, Article 3 of the own resources decision of 31 October 1994 set a total upper limit of payment entitlements at 1.27 per cent of the GNP of the member states until 1999. This remarkable result, given the problems with such long-term targets at the national level, entailed a strengthening of the Ecofin Council in order to avoid a spending policy that invites *fait accomplis* arising from decisions made in other EU Councils. As a consequence, the division of labour between the Ecofin and Budget Councils, on the one hand, and EU institutions and national ministries, on the other, had to reflect such intentions.

While received wisdom tells us that overall EU policy coordination is frequently left to the hands of the Foreign Office (Rometsch 1996, p. 69), the need for subsidiarity and the efficient use of already agreed financial appropriations made arguments about the general advantage of political integration in day-to-day policy-making less convincing. In the period under observation, the Foreign Office therefore concentrated its efforts on the conclusion of long-term framework agreements such as the *Delors-2 package*. Yet, this did not amount to a sectoralized policy-making process in the Federal executive, due to the linkage of framework agreements with informal and inter-ministerial coordination processes.

The timing of meetings of Ecofin and Budget Council already prevents a biased coordination pattern. Deliberations in both intergovernmental institutions establish a close link between short-term, medium- and long-term financial planning that effectively balances foreign policy interests. The Budget Council meets regularly one day after the meeting of the Finance and Economics Ministers concludes. New measures adopted by Ecofin thus can have immediate consequences for the annual budget in the following year.

Here, informal, bilateral contacts play an important role whenever national policy capacity has to be maintained, but unilateral action would lead to resentment in the Council. Before Ecofin sessions, for example, financial attachés from the Danish, Finnish, Swedish and Austrian embassies have met in the Finance Ministry to establish fundamental negotiation lines; though without arriving at 'package-deals'. The latter are strictly opposed by the Finance Ministry due to their intermingling of otherwise unrelated policies and the limits they would impose on other ministries (interview, civil servant of the section for general European financial affairs in the Ministry of Finance, 1997). While the Commission may still modify its original proposals and hope for different outcomes in the working groups of the Council, eventually, Ecofin decisions will be taken as final in the annual negotiations of the Budget Council.

Relations between executive and legislature

A member state's capacity to coordinate its policies towards the Union is naturally affected by the pattern of domestic constraints, that is, how parlia-

mentary powers relate to executive powers and how Parliament can be involved in EU policy initiation and formulation. In contrast to the standard situation in phase IV of the coordination process, and as a direct consequence of a new Article 23 in the Basic Law, the Federal Budget Committee sometimes rejects Commission spending plans, despite a supporting statement by the Federal government. The first test case for such a possibility followed the introduction of a provision in the Maastricht Treaty that laid foundation towards the development of a common European cultural policy (interview, chair of the EU budget sub-committee, 1997).

In the context of two EU projects related to education policy and the preservation of cultural heritage, the Federal Budget Committee had to clarify its own competencies, whenever resources used for co-financing and mixed financing arrangements are expected to come from Federal as well as EU budgets. Would it be possible to ignore exclusive legislative *Länder* responsibilities in this area, while at the same time opening up excessive spending demands on part of the Commission? The committee's request for a workable distinction between national and European cultural policy remained unheard. As a consequence, Parliament took a negative view concerning the federal provision of finance.

The Federal government now reacted by attempting to circumvent the committee's unfavourable decision. Section 6 of Article 23 Basic Law foresees the possibility to transfer rights of representation in the EU Council to the *Länder*, which, under normal circumstances, only accrue to EU member states. In the given case, this meant that the Federal Council's (*Bundesrat*) appointee replaced the German Minister of the Interior at the negotiating table in Brussels and promptly supported the two Commission projects under dispute. At first, this precedent had to be accepted, albeit as an unfriendly act of government towards Parliament (Ausschuß für die Angelegenheiten der Europäischen Union 1995).

As a consequence of this institutional dispute between the Federal budget committee and the German executive, a procedural gap in Paragraph 80 (3) Parliamentary Standing Rules (*Geschäftsordnung – Bundestag*) finally got closed. Although Parliament is not allowed to intervene in the budgetary autonomy of the Union, the revised rules of procedure aim to establish a say for the Federal Budget Committee in cases where full or partial medium- and long-term financing has to come from the national budget. The new wording reads as follows:

if the budget committee raises an objection against an EU proposal (para 93) for which financing cannot be covered by the annual own resources estimates (or when this situation is foreseeable), the lead committee has to present a report as regards the compatibility with the current or prospective Federal budget. (Ausschuß für Wahlprüfung, Immunität und Geschäftsordnung 1996, p. 2)

This amounts to an explicit recommendation to make formal decisions con-

cerning EU spending proposals. In practice, such a recommendation could serve as the basis for a statement by the Committee for Affairs of the European Union or even a formal debate and vote in the full assembly (*Ausschuß für die Angelegenheiten der Europäischen Union* 1995). The consequence for the executive decision-making process in cases of deviations from the annual EU budget frame is as follows: a negative vote of the Budget Committee in the *Bundestag* would have to lead to a negative vote by Germany's chief negotiator in Brussels.

Bund-Länder relations

It is one of the strongest claims of multi-level governance that sub-national actors mobilize to participate directly in the policy-making process at the EU level (Marks 1993). As far as the coordination phase of the EU budget is concerned, however, individual ministries continue to act as gatekeepers representing those interests. From the perspective of the Finance Ministers in the *Länder*, there is no special integration advantage (*Sondervorteil*) that can justify the German net contribution to the EU budget. Not surprisingly, the Federal Council supported wholeheartedly the government's original plea to take all appropriate measures to reduce the outflow of resources (Stahl 1991, p. 308).

It must be kept in mind that actual appropriations derive exclusively from the Federal budget. As in other Council meetings, two *Länder* delegates, appointed by the *Bundesrat*, are invited to participate in the preparation of the EU Budget Council where they only propose technical amendments for single budgetary items. Only in rare cases such as cooperation in EU border regions or the provision of subsidies to a regional research institute, their representatives have in the past taken an active interest. The channel of influence available to the *Länder* governments via the Ministry of Economics seems to be of much more relevance for them.

Remoulding the coordination process?

Structural features of the coordination process allegedly have created a general drift towards over-spending (Biehl 1996, p. 109). In response to such widely raised criticism, several reform proposals have been put forward (Begg 2000; Stark 1996). These suggest that the current EU system of financing be moved away from a pure redistribution system, intended to level out different interests between the member states. So far, however, the member states have resisted even comparatively moderate demands for a simplification in the administrative procedures that would link both decision-making levels through one reading in Council and Parliament. It is argued that the current practice of moving back and forth between the national and European level (*Pendelverfahren*) allows for a true dialogue among member states and EU institutions. As a consequence, the existing framework has made German contributions in the post-Maastricht period much more predictable, calculable and comprehensible than has previously

been the case. In other words, coordination capacity of the Federal executive has been maintained and further developed through a limited number of multi-level institutional adjustments.

CONCLUSION

The foregoing analysis has shown that in a highly routinized process of EU policy-making a good deal of coordination capacity remains at the level of a national executive. Certainly, this finding is country- and case-specific, but sheds some light on more general aspects of policy-making in core executives because of the mere size of Germany's EU contribution and similar concerns shared by other net-contributors among the member states. Though present EU coordination structures in the Federal government often have been described as weak, coordination has been effective, given the tradition of conflict avoidance and consensus building amongst key actors in its central administration.

Germany's overriding concern to establish policy congruence with EU institutions underlines the plausibility of two general propositions on executive capacity. Firstly, as far as the accommodation of short-term policy changes are concerned, the ongoing availability of special administrative procedures in the formalization stage may allow flexibility at critical junctures elsewhere – at the level of far-reaching framework agreements and alliance formation with other member states. Secondly, in the long-run, an internally widely coordinated policy position may be useful when negotiating with a number of different political actors operating outside the core executive on purposeful institutional adjustments. This holds particularly for interactions with the Federal Parliament and the exercise of its control function in budgetary matters.

A confrontation of these findings with the received wisdom on EU policy coordination in Germany can confirm the incremental nature of the process controlling public expenditure. Concerning other contentions, the emerging coordination profile is less straightforward. Surely, as Bulmer and Patterson's (pp. 219–20) seminal work pointed out, the Finance Ministry continues to be mission-oriented and carefully scrutinises EU spending behaviour. But in the post-Maastricht period the Europeanization of administrative structures created conditions apt to overcome sectoralization at an early stage. The relative dominance of the Finance and Agriculture Ministries in the internal horizontal coordination process, for example, is compensated for by a stronger position of the Foreign Office in the conclusion of EU framework agreements in the vertical dimension.

In the same way, a fragmented coordination structure becomes an asset rather than a burden, if policy congruence has to be achieved. This is not to say that this goal has reached the status of a 'grand strategy implemented from the Chancellery' or that negative coordination is replaced by positive coordination at all levels (Katzenstein 1997b, p. 295; Rometsch 1996, p. 72). The findings presented in this article suggest instead that expert judge-

ments at the level of individual ministries only need to be loosely coordinated as they relate to similarly fragmented EU policy responsibilities. Individual items in the Community budget may evolve according to an integrative logic, given limited control over parts of agenda setting and development of decision-making, but the sophisticated use of coordination techniques and institutional adjustments should enable national governments to maintain their executive capacity.

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POLITICS

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RADICAL REFORM IN NEW ZEALAND: CRISIS, WINDOWS OF OPPORTUNITY, AND RATIONAL ACTORS

JOEL D. ABERBACH AND TOM CHRISTENSEN

This article uses three perspectives to explain the radical economic and state sector reforms undertaken in New Zealand starting in 1984. We interpret the reforms using a rational-comprehensive perspective, a garbage can perspective and a modified garbage can perspective identified in the work of John Kingdon. With New Zealand as an illustrative case, we explore the conditions under which radical reform is possible, the factors governing the adoption of reforms, and the impact on the reform process of a country's historical and cultural traditions. Our analysis emphasizes the import of a package of ready-made solutions, strong advocates (particularly a well-placed policy entrepreneur) who attach the solutions to a problem, and the existence of a 'window of opportunity' for adoption of the reforms. We conclude with a discussion of the implications of adopting reforms that run counter to a nation's long-established traditions.

INTRODUCTION

It was surprising to many when, in 1984, the incoming Labour government of New Zealand embarked on a radical reform path. The reforms were decidedly non-incremental. The government started with economic reforms, followed later by state sector reforms. The radical reform period ended in 1993 (Nagel 1998, p. 229). Indeed, substantial changes were made quickly and thoroughly. Their attributes were 'radicalism, boldness, coherence, and innovative methods' (Boston 1990, p. 3). The reforms were 'crashed through' (Gregory 1998) by the Labour Party, a party without a history of radical reform of this type (Nagel 1998, p. 223). This is puzzling, not only because it was out of step with characteristic Labour behaviour, but because New Zealand, in the past, had built on other norms and values than those typical of radical reform of either the economy or the public sector. Indeed, New Zealand had previously demonstrated little inclination to choose extreme policies and mainly used incremental changes to cope with challenges. To use the cultural language favoured by Krasner (1988) and others, New Zealand's 'path dependency' makes it especially difficult to explain the radical reforms undertaken. Quite to the contrary, one would have expected more moderate reform measures, tailored to the historical-cultural traditions of the political-administrative system.

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We will try to explain, based on three different perspectives, what actually happened in New Zealand in the breakthrough year of 1984 and the following years – seeing the different types of public reforms as relatively tightly connected. Our method is to describe three feasible and theoretically interesting ways of interpreting the reforms and then seeing how published accounts stack up against them. The perspectives are partly competing (often focusing on different types of empirical evidence), but also complementary at points (looking at the same events from somewhat different angles) (Allison 1971). A rational-comprehensive perspective explains what happened based on a set of instrumental actors who dominated the process and have unambiguous goals and well-developed information about problems, possible solutions, and consequences of different alternatives, that is, know exactly what to do based on unambiguous theoretical models and well-developed empirical indicators (March 1994). A garbage can explanation takes as its departure the international environment of New Zealand and tells the story of radical reform and its related theoretical underpinning as a package of ready-made international solutions that were connected to national problems, solutions that had their parallels in many nations (March and Olsen 1976). A modified garbage can perspective takes elements from the other two perspectives. It sees the reform breakthrough resulting from a ‘window of opportunity’ (Kingdon 1984). In this view, the window was opened by New Zealand’s economic crisis. The subsequent reforms were shaped by a combination of ready-made solutions based on theoretical economic models, combined with the election of actors to key positions who aggressively organized and ‘crashed through’ the changes – a strategy that was feasible in New Zealand’s Westminster system which had characteristics some describe as those of an ‘elective dictatorship’ (Nagel 1998, p. 241).

We will come back at the end of the article to what we can learn from an analysis of a period when a country has embarked on a radical reform path. An important point is to explore how radical reform is possible at all, that is, what are the conditions furthering such reforms. Does it primarily take extreme rational actors to override cultural traditions, or is the pressure from the environment most important, or is it a combination of these two factors? And what about the importance of historical-cultural traditions in a country concerning reform? Does the New Zealand case tell us why a country would disregard its traditions and start on a journey in an opposite direction?

JUST THE FACTS

Allen Schick’s (1996) report on the New Zealand reforms is generally regarded as the most dispassionate description of the reforms (see also Scott 1996). A well-known expert on government administration and reform, Schick, as a foreigner, almost certainly had more distance from the process than most who write on it. His version is relatively simple and straightfor-

ward, and much of the account of the facts in this brief section is based on his report, as quoted below:

Economic conditions were not sustainable in New Zealand when the reform was initiated in 1984. The economy was in disrepair and conventional remedies – more fiscal stimulus and more government intervention – had not worked.... Doing nothing – or as little as politicians could get away with – was not a viable option. (Schick 1996, p. 11)

With almost no foreign exchange reserves, poor productivity, serious problems in monetary and fiscal policies, and a perceived 'excessive presence of government in the productive sectors of the economy' a crisis atmosphere prevailed (Scott 1996, p. 8).

One seemingly viable option was presented in the Treasury brief on *Economic Management* prepared in 1984 for the incoming Labour government. The document argued for solutions influenced by economic theory (the new institutional analysis, public choice theory, agency theory, and transaction cost economics). The document 'did not break new ground in economic theory or practice – it extolled the benefits of competitive markets and advocated thorough liberalization of the economy' (Schick 1996, p. 14). However, it was well received by incoming senior ministers, many of whom had become convinced that the prescriptions derived from economic theory could solve New Zealand's problems, especially the immediate dangers presented by the overvalued dollar and the exchange crisis. Those in Treasury who held these views found a kindred spirit in the incoming Finance Minister, Roger Douglas, and he and others quickly pushed through a series of radical, far-reaching changes, reforms based on the notion that 'government intervention was the root cause of the economy's poor performance' (Schick 1996, p. 13).

The brief on *Economic Management* stressed the advantages of competitive markets and liberalization of the economy – hardly novel concepts for OECD members, but quite radical in the context of the strong regulatory regime that existed in New Zealand. A later document (*Government Management*), submitted by Treasury to the Labour government after its electoral victory in 1987, emphasized public sector reforms that were radical and innovative by most anyone's standards. The 1987 brief used economic theory to argue that government workers tend to pursue their own goals – shirk and featherbed – rather than serve the public interest. Opportunism is rife in public organizations, the brief claimed, because there is no need to satisfy customers, programme objectives are unclear, and the like. As Schick points out: 'Clearly, different conclusions might be drawn if the brief were argued from different premises, for example, from the posture that civil servants are motivated by a public or professional ethic'. Most important, although the report 'allege[d] serious deficiencies in New Zealand government, it deduce[d] these from the logic of institutional econom-

ics, not from the systematic study of public organizations' (Schick 1996, p. 18).

As we shall see, while few dispute the basic outline of what happened, there are many views about why things happened as they did and what the events and changes meant.

THE NEW ZEALAND REFORM AS RATIONAL-COMPREHENSIVE REDESIGN

Effective rational-comprehensive redesign of public organizations requires fulfilling some major features of rational theories of choice: a combination of control by major participants in the process, and a theoretical framework yielding clear goals, unambiguous means-end thinking, and full information about possible consequences of choosing different reforms and paths of action (March 1994, p. 2; March and Olsen 1983, 1989).

We start out by asking whether what happened in New Zealand around 1984 is primarily an example of a set of rational actors who quite consciously managed to dominate the reform process through their theoretical models and their coherent analysis of problems and the convincing solutions they offered. Before digging into the organizational thinking of the central actors in the reform breakthrough in New Zealand, however, we must first examine whether the process was dominated by a few leaders or by broader coalitions of central actors.

Goldfinch (1998, pp. 178–9, 183) argues strongly that the radical economic reforms in New Zealand were decided in closed processes (fostered by a small Westminster system, with its 'elective dictatorship') and dominated by a small institutional economic elite consisting of key players from the Treasury, the Cabinet, the Reserve Bank, and the Business Roundtable, with Finance Minister Roger Douglas as an especially important political actor. James (1989, p. 8–9) indicates that Roger Douglas showed early signs of entrepreneurial talent and that he was a self-confident and forceful individual. These features, he says, explain Douglas' later pattern of action as Finance Minister – more 'a determined individual rather than a ... team person'.

Boston *et al.* (1996, pp. 16, 25) argue that an institutional economic elite (Treasury and Reserve Bank civil servants) also dominated the public sector reform process in New Zealand that followed. Though they underline that the New Zealand process was more theory-driven than anywhere else, they stress that these central actors were practitioners, not academics or theoreticians, with a major role played by private sector consultants.

Questions about rational calculation and about the organizational thinking of central actors are more difficult to answer than ones about participants. One problem lies in evaluating central actors' goals and whether they are ambiguous or not, especially since public goals often are complex and general. A second problem is whether the proposed instruments, means or programmes are well suited to fulfil the goals, that is, what the

possible consequences are and whether the proposals will actually achieve the stated goals.

The questions we emphasize here concern the information basis of the central actors and their way of approaching reform as related to the information they had. To what degree did the central actors in the New Zealand reforms have complete information (rich in content and informed by the national peculiarities of New Zealand)? Had they a unique solution to national problems in the public sector? What was the role of their theoretical models in relation to this?

Goldfinch (1997) analysed the origin and changes in economic-theoretical thinking within the Treasury in New Zealand as a basis of understanding the advice it gave. He also did a content analysis of post-election briefing papers from 1984, 1987, 1990 and 1993:

In the late 1970s and early 1980s Treasury gradually abandoned the social democratic Keynesian framework that had dominated in the post-war era. By 1984, Treasury was advocating a broad program of market liberalisation and macroeconomical disinflation that drew heavily on the analytical assumptions, ideological values, and political prescriptions of schools of economic and social thought associated with the New Right (p. 60).

All four papers show the influence of a range of New Right neoclassical theory and prescriptions.... Often these writings are borrowed almost verbatim and with questionable relevance to New Zealand's historical and social context (p. 64).

Goldfinch's argument here is that the Treasury's advice was inadequately informed by national context and is more as a function of general, decontextualized, and abstract economic ideas than as the product of dispassionate analysis of the situation facing the country.

An alternative notion is that the changes in theoretical models adopted by Treasury were rationally coupled to changes in the economic problems facing New Zealand – in essence that they provided clear and compelling answers that were, to the degree feasible, demonstratively the right ways to solve the country's problems (Evans *et al.* 1996, pp. 1862–3; Scott 1996, esp. p. 6). However, Goldfinch (1998, pp. 177–8) argues against this interpretation in a later piece, saying:

Despite claims that 'There is No Alternative' made at the time and since, there is certainly no one path to economic success. The new right neoclassical paradigm adopted in New Zealand is only one type of economic analysis in a field that is anything but unified. Nor was the New Zealand experience of economic restructuring simply a copy of what was happening in other nations throughout the nineteen-eighties; liberalization in New Zealand was carried out more extensively, more quickly and showed a degree of theoretical purity that was probably unparalleled

anywhere in the world until, arguably, the liberalization of eastern Europe.

At this point, Goldfinch argues that the economic models adopted in New Zealand's reforms were not the only ones possible, but they did produce a unique economic policy. The uniqueness and rationality (consistency) of the content, he asserts, is connected to a desire for theoretical purity rather than closely connected to facing New Zealand's national problems, and was in that sense not simply a copy of other countries' reforms.

One can debate how unique the New Zealand approach was. The neoclassical paradigm was, of course, not invented in New Zealand and as such represents imitation and copying from other countries, especially the US and Great Britain. The thinking in New Zealand, therefore, was not qualitatively new, something that is nearly impossible in an interconnected world. So the 'rationality' in the New Zealand case, according to Goldfinch, basically consists of taking one special type of economic thinking to the extreme in planning and implementing reforms. The distinction we are trying to convey here is between change driven by doctrine and change driven by a confluence of theory and evidence. There are strong indications that theory as doctrine played the major role in the reforms, and that neoinstitutional economists and fiscal bureaucrats provided this doctrine (Nagel 1998, p. 242).

When analysing the public sector reforms, Boston *et al.* (1996, pp. vii, 3) stress the uniqueness and consistency of the New Zealand model and as such see New Zealand as a model for the rest of the world to imitate. The uniqueness stems from the combination of different reform elements, not from the single elements, and the imitation from abroad of these elements is downplayed and said to be parallel to developments internationally. The rationality is related to the artful and 'intellectually coherent' combination of many reform elements, that is, managing to come up with an innovative and consistent combination of reforms. But one can accept that the reforms were informed by economic theory, as exemplified in the brief from the Treasury in 1984, *Economic Management*, yet still question Boston *et al.*'s version of the rational calculations behind New Zealand's reform agenda. It not only asserts that the rationality behind the individual reform elements is high, it touts the combination as conceptually rigorous and intellectually coherent. But how easy is it to cope with different theoretical traditions, political imperatives and pragmatic judgements at the same time? Why was this possible in New Zealand but not in most other countries? How consistent can a model be that combines such seemingly different theoretical elements, as claimed in Boston *et al.*?

An alternative view would be that the reform agenda was rather unique – partly because of the combination of reform elements, but also because it was rather extreme – and that, as the authors also indicate, the rationality and intentionality were connected more to the single elements than to the

combination of them. It is also interesting that the picture of a planned and integrated rational reform agenda is connected primarily to the Treasury's briefing papers from 1987. Does this mean that when the reforms started out in 1984 they were less rational and coordinated and that they came together as a more rational reform package in 1987?

Boston *et al.* (1996, pp. 26–39) give a critical and thorough account of the different theoretical elements that have greatly influenced the state sector reforms in New Zealand and given them their uniqueness. They show that specific theories lead to specific reform elements. Public choice theory is connected to a structural separation of different tasks or functions, larger central political staff, increased transparency, and reduced scope of political interference. Agency theory is connected to corporatization, privatization, performance focus and incentives, leadership contracts, and a focus on audits. Transaction-cost economics is related to considerations of institutional design, with a resulting strong preference for private models, a change from process to output accountability, and specialization of governmental structures.

The authors' analysis and critique of the theories and their importance is impressive, and suggests that the organizational thinking connected to the reforms was relatively rational. However, one should ask some critical questions. Is there really that close a connection between some of the theories and the reform programme elements? It may be a paradox that different types of economic theory lead to the same proposed reforms. It is easier to accept that the theories point in certain directions than to say that the connection to more specific reform elements is clear-cut. And how do these different theories and their connected reform elements, that often seem to point in somewhat different directions, fit together (Christensen and Lægreid 2001)? Again, this boils down to a question of whether rationality is assessed on the basis of the separate elements of the reform or on the basis of the reform package as a whole.

There is great agreement about the crucial role of the Treasury in the 1984 reforms in New Zealand as well as in their further development, even though analyses differ about how rational and context-informed Treasury's proposals were. One important question is how Treasury and its economic models could be so important relative to other actors. The answer may be the dominant definition of Treasury as having a special role, a combination of neutrality, knowledge monopoly and brilliance, and a dedication to working for the public interest. As Goldfinch argues:

If it is true that Treasury officials are just technicians applying value-free scientific analysis to society and economy in order to generate the maximum efficiency and welfare for all, then Douglas and Callen are justified in claiming that Treasury can 'give advice based on the interests of the nation as a whole' (1987, p. 128). This is in marked contrast to the 'viewpoint of many others who seek the Government's ear, whose role

is to pursue the interests of particular sections or groups within community' (Treasury 1986, p. 4). (Goldfinch 1997, p. 72)

Goldfinch (1997, p. 68) also notes the irony in Treasury officials embracing public choice theory, a theory that sees bureaucrats as self-interested actors, while defining themselves as neutral and non-political. Gregory (1998) agrees, saying:

What is crucial in understanding the nature of technocratic governance is that scientific knowledge, or knowledge that *purports* to be scientifically validated, is invoked to justify the exercise of power in favour of some groups and at the expense of others. It is politics disguised as science, covert politics, in which secrecy is a crucial tool in the technocratic armoury (see Saul 1992). (Gregory 1998, p. 110)

These analyses reinforce some important insights. One is that knowledge defined as superior, neutral and dominant provides a significant power basis in a reform process. Another is that an important part of the conflict between vested interests is winning the fight over what type of factual premises decisions should be based on, because this knowledge often has a normative bias (Simon 1957; March and Olsen 1976).

Summing up, it can be said that the reforms in New Zealand were dominated by a few central institutional actors who held homogeneous economic views and accepted common models. The models chosen by these actors were typical of certain theories in economics, and reflected changing trends in elite thinking, and in that way disregarded others that could have been connected to the reforms. These economic models can be thought of as only loosely coupled to the national context and problems of the public sector, but they nevertheless served as guides to analysis of the national problems faced by New Zealand and suggested specific changes and reform programmes. Within the confines of economic theory, and based solely on the premises of these models, the reforms chosen could be called relatively or narrowly rational, though based on only one set of possible models for coping with the economic crisis. What they definitely did not represent was the product of a comprehensive search for alternative solutions to the problems the country faced and the selection, based on available evidence, of the optimal solution. That was probably beyond the capability of anyone to achieve, but would be required for a strictly rational-comprehensive process and result.

GARBAGE CAN PROCESSES AND REFORM MYTHS

While a rational-comprehensive perspective stresses that decision-making processes are characterized by control and rational calculation (Dahl and Lindblom 1953, p. 57), a garbage can perspective emphasizes that participants, problems and solutions are selected and coupled in unpredictable ways and decisions therefore difficult to understand and explain (March

and Olsen 1976, p. 27–32). These features are caused by the combination of factors: (1) actors are part-time participants in any decision or choice opportunity due to problems of capacity and attention; and (2) decision-making processes are characterized by ambiguous stimuli.

In garbage can processes, decisions are not primarily about instrumentally solving problems, are not consciously structured and controlled, and are somewhat unpredictable collections of participants, problems, solutions and choice opportunities. Timing and contextual factors are extremely important. If actors seek to act rationally in such processes, this is best characterized as local rationality and may lead to problems with organizational rationality because local actors have a narrow perspective and a shortage of influence, attention and knowledge, and do not manage to take a broad view of, coordinate or control, the larger decision-making context.

When applying the garbage can perspective to public sector reform processes it is important to stress that it cannot be a full-fledged explanation of all aspects of such processes, but can only help explain certain aspects. In particular, the process we are studying here was typically dominated by a few predictable institutional actors and was in that respect similar to the processes in other countries (Christensen and Lægreid 1998; see also March and Olsen 1983). The most relevant part of the perspective for us, however, centres on rational calculation or means–end thinking (Dahl and Lindblom 1953, pp. 57–92). Public sector institutions and policies have grown more complex, and they have increasingly complex interdependencies, levels and institutions, making it more difficult to control problems and solutions than participants and choice opportunities.

We tap primarily into one aspect of the process of defining problems and solutions in garbage can processes – situations where solutions come first and are later followed by and connected to problems (March 1981). Solution-driven or supply-driven search, instead of problem-driven or demand-driven search, as emphasized in a rational perspective, can primarily be seen as a garbage can feature in decision-making processes (March and Olsen 1976, pp. 26–7; March 1994, p. 32). Solutions are already there. They are answers looking for questions, and can potentially be connected to several different problems. One advantage of employing ready-made solutions (often initiated from other organizations or countries) is that they are ‘inexpensive’ to use (March and Olsen 1976, p. 87–8). Another is that they are often ‘decontextualized’, that is, seen as solutions that can be successfully applied everywhere (Røvik 1996). One major problem with ready-made solutions is that they can be irrational in that they do not specifically address current problems in public organizations or are loosely coupled to a national structural or cultural context. If applied, they will likely produce unexpected and unwanted effects.

We will analyse here whether the breakthrough of the reforms in New Zealand may be seen as a process where the solutions came first and the problems later. More specifically, we will ask the following questions: Was

the start of the radical reforms in 1984 (and the reforms that followed) primarily an example of ready-made economic models and reform solutions looking for problems and based on a combination of theoretical principles and normative preferences for a leaner state? If yes, was this solution based primarily in the international environment, and an example of a decontextualized and passive imitation, or a more nationally based solution that was more contextualized, or a combination of both?

Gregory (1998, pp. 111–12) argues strongly that the economic reforms in New Zealand were primarily an imitation of theoretical ideas from the US, and that there were made few real attempts to connect them to the New Zealand context. His argument is very much in line with a garbage can view in underlining that the international solutions were automatically applied, without a national analysis and based on what are essentially ideological beliefs.

Massey (1995, p. 75) makes the same type of argument and strongly supports Bolland's (1994) view that the macroeconomic strategy of the incoming Labour government in 1984 had international support. He emphasizes that these policies were broadly in line with the advice offered to member countries by the IMF and the World Bank, often called the 'Washington Consensus' (Bertram 1997; Nagel 1998, p. 229), and adopted in some OECD countries after the second oil shock in 1979. And he notes that the OECD saw New Zealand's great enthusiasm for such reforms as an important test case. Goldfinch (1998, p. 190) also mentions several ready-made solutions of international origin. These include privatization solutions in the Treasury from the mid 1970s, influencing the State Owned Enterprises Act of 1986, and the devolution and strengthening of the Reserve Bank in the act of 1989, the result of an initiative from the Finance Minister and imitation from other countries.

Many of Goldfinch's (1998, pp. 180–1) observations about the radical economic reforms in New Zealand fit the notion that the solutions were there before the problems. The Reserve Bank, he emphasizes, had advocated deregulation solutions for a long time. They were, in garbage can terminology, solutions waiting for problems. In the period leading up to 1984, these ideas gained international support and became fashionable (Bolland and Mayes 1993, p. 82), something that made it easier to advocate them and 'sell' them as modern to the politicians. That the Treasury had come up with an internationally fashionable, ready-made set of solutions, strengthened the pressure towards reforming in this manner. The Treasury argued 'for a new order based on fundamental reversals of values and priorities' (Nagel 1998, p. 229).

In a related argument, Massey (1995, pp. 65–7) holds that Roger Douglas' actions as an incoming Minister of Finance in 1984 were no surprise. Douglas exemplified the changing class composition of the Labour Party and the new group of well-educated leaders in the Party (Nagel 1998, p. 234–5). In 1980, he wrote a book based on a free-market philosophy, built

on these thoughts in an alternative budget in 1981, and was sacked from the shadow cabinet because of this. In developing his view, Douglas had a group of friends and academics as support (his 'think tank'). He also had some support from a few actors inside the Labour Party and was influenced by the Treasury, especially by economists seconded to the Opposition Research Unit (Bolland 1994, p. 89). Again one can say that the solutions seem to have been there, connected later to problems by political actors who ascended to positions of influence.

James (1989, pp. 8–9) underlines that Douglas as a minister in the early 1970s already showed signs of questioning traditional Labour ideas and when given a chance in practice changed these policies, for example, in the restructuring of state broadcasting in a competitive direction. And Boston *et al.* (1996, p. 28) make the case that New Zealand imitated public sector reform elements from other countries, but that the way that they were applied differed from their application in other countries.

Summing up the argument from a garbage can vantage point, there were obviously some long-term solutions out there derived from economic theory that for quite some time could not get themselves connected to the definition of New Zealand's national problems and the economic policies needed to solve them. This was so despite the fact that many in the national economic elite had favoured these solutions for a long time. Though the solutions are both internationally based and abstract, and, as such, potentially de-coupled from the problems and national context in New Zealand during the 1970s and early 1980s, they were increasingly advocated as answers to national problems by the Treasury and the Reserve Bank working with policy alternatives based on them. These alternative policies had problems gaining access to the political leadership of the Muldoon government, which for a long time tried to do what it could to play down the economic crisis in an effort to retain political power. But a group of actors inside the New Zealand Labor Party, headed by Roger Douglas, had been working with similar policy ideas for some time, and the crisis of 1984 gave them a ready-made opportunity to apply these economic solutions that had been 'on the shelf' for some time.

REFORM IN A NEATER GARBAGE CAN – THE WINDOW OF OPPORTUNITY

One way to bridge the perspectives put forward so far is to apply John Kingdon's modified version of the garbage can model to an analysis of New Zealand's reforms. For Kingdon, as for more classic garbage can theorists, governments are organized anarchies, but Kingdon puts a greater emphasis on the organized part of the formulation. Solutions look for problems in Kingdon's model (and problems for solutions), but they do so in a context where politics and political opportunities have a huge influence on the process. The three 'streams' as he calls them – problems, solutions and poli-

tics – operate independently, but significant changes are most likely when all three streams join:

The three streams of processes develop and operate largely independently of one another. Solutions are developed whether or not they respond to a problem. The political stream may change suddenly....

Once we understand these streams taken separately, the key to understanding agenda and policy changes is their coupling. The separate streams come together at critical times. A problem is recognized, a solution is available, the political climate makes the time right for change, and the constraints do not prohibit action. Advocates develop their proposals and then wait for problems to come along to which they can attach their solutions, or for a development in the political stream like a change of administration. That makes their proposals more likely to be adopted [that is, a 'policy window' opens]. (Kingdon 1984, pp. 93–4)

If we transfer Kingdon's modified way of thinking about the garbage can to the New Zealand case, we are stimulated to ask several questions, some of them, of course, similar to questions raised above, particularly in the previous section. Was the decision to take a radical reform path in New Zealand the consequence of a political entrepreneur who structured the decision-making situation for the main actors? Did the solutions exist beforehand, with an able entrepreneur ready to apply them at an opportune moment? Did the radical reform concepts adopted by New Zealand have features that were applicable everywhere around the world, though clearly fitting particularly well with New Zealand's problems and context? Or were the reforms more an example of international solutions of a technical kind, simply applied in a decontextualized way in New Zealand? Most important, was the crucial breakthrough of the reforms in New Zealand a result of an open 'window of opportunity' (Kingdon 1984, pp. 173–204; James 1989, p. 2) that enabled strong, instrumentally-oriented national actors to take advantage of a severe economic crisis, the opportunities presented by a new administration, and pressures from the international environment, to join a problem and a long-held solution?

Many observers agree about the severity of the economic crisis in New Zealand in the early 1980s. Massey (1995, pp. 2, 13–15) argues that New Zealand generally had problems in its economy even before Muldoon became Prime Minister and Finance Minister in 1975. The world recession in 1974 marked the end of a long and unprecedented golden economic era for New Zealand (Roper 1997, p. 3). The signs of the crisis were many – externally, the narrow-based export sector made the country vulnerable, especially after the UK joined the EU and the structure of New Zealand's export market had to change, focusing more in the direction of North America, Australia and the growing economies in Asia (James 1989, p. 5). Added to this were the oil price-shocks in 1973 and 1979. Internally, New Zealand struggled with a fiscal deficit and a slow growth rate. Massey also argues

that a strong state involvement in the economy, combined with complex regulatory instruments and a strong protectionist tradition in industry, were important parts of the problem. Based on these economic features, Massey goes on to claim that Muldoon had for many years postponed and avoided necessary reforms.

We argued earlier that there were some solutions that were ready-made, indeed that there was a reservoir of solutions that could be connected to potential problems in New Zealand. An argument for a 'window of opportunity' interpretation of what happened in 1984 and the following years is that certain important actors, primarily the economists in the Reserve Bank and the Treasury, had for some time had the view (and solution) that New Zealand needed a radical, economically-oriented (free market, deregulatory) reform. Their problem was that they lacked legitimacy and had difficulty connecting their solution to the political leadership during the years when Muldoon was prime minister. Their opportunity came after the election when there was both new political leadership sympathetic to their views and a definition they strongly endorsed of the economic situation as being near crisis, indeed, bordering on imminent catastrophe (Nagel 1998, p. 243). Goldfinch (1998, p. 181) emphasizes this:

By the handling of the currency crisis, Reserve Bank and Treasury officials had proved themselves in the eyes of the new cabinet, who, in opposition, had been vaguely suspicious of the New Zealand Public Service. A sense of urgency had also been instilled in the new government by the currency crisis itself. Cabinet was ready to take the advice of the officials and roll out the already developed program, although there was initial resistance from some members of the cabinet over removing interest rent control.

One problem with the solutions the Treasury had quietly promoted for years was that in many respects they were abstract, general and administratively generated, but not coupled to the political process. So the fiscal civil servants needed some credible political actors to bring them forward in a moment when others would be receptive. This was more likely because of the crisis, but the Treasury still needed someone to push the proposals and that was Roger Douglas. Most authors on the reforms in New Zealand clearly portray him as having a very conscious strategy and determined approach to influencing the process, primarily inside the Cabinet and Labour Caucus.

James underscores that Douglas, together with a group of ambitious politicians, had a strategy for influencing the Labor Party. That strategy included supporting Lange as the new leader of the opposition, then installing Douglas again as a shadow finance minister, 'teaching' a mostly ignorant Lange modern economic thinking and policies, and putting reform politicians into strategic positions in the new Labor government. When Douglas

became Finance Minister he used the window of opportunity to move quickly and pragmatically:

Douglas moved fast and suddenly, presenting his critics and doubters repeatedly with *faits accomplis* they could only complain about, not prevent or delay. The operational rationale was that people respond to a strong lead and that changes made quickly were more likely to produce quick results and so public acceptance. (James 1989, p. 13)

James (1989, pp. 9, 14) also underlines that Douglas was helped in his strategy by a small and homogeneous Westminster system that was relatively easy to move and that 'the checks and balances of a more complex system might have stopped Douglas in his tracks'. He argues that the coalition of the economic institutional elite, with ready-made solutions, and Douglas was important for the reforms:

Within the Labour Party, as its Finance Minister-designate, was Douglas, nursing ideas for a 'better way'. Waiting for Douglas were a Treasury and Reserve Bank full of officers with ideas close to Douglas's thinking and inviting him farther down that route. Once in office, the two fed each other, led each other on.

Massey suggests strategic factors beyond the fact that some top officials of the incoming Labor government accepted or even, as in the case of Douglas, enthusiastically agreed with the views of the Treasury and the Reserve Bank. He indicates that there was some strategic thinking in the Labor Party about presenting its economic policies during the short election campaign in 1984:

The decision by Muldoon to call a snap election, however, meant that Labour's policy proposals were not subject to detailed scrutiny during the election campaign. Sinclair argued that this represented a substantial bonus for the party as: 'Very few people had any idea of Roger Douglas's economic plans, some of which would have been very unpalatable to traditional Labour voters'. Indeed according to Wright, Labour's campaign largely sought to avoid any detailed discussion of its policies. (Massey 1995, p. 67)

One problem in interpreting why the reforms were adopted is the difficulty in understanding why it was easier for the economists to convince a Labor Government than a Nationalist one about the need for economic deregulation. Two possible answers are that the economic crisis seemed more severe in 1984 than some few years earlier and that the lack of reform measures from Muldoon had accumulated needs for radical reform. Both these answers, however, are open to discussion.

Goldfinch (1998, p. 177), for example, argues that the economic crisis was not that severe and the globalization of the world economy was not all that pressuring towards liberalization of the economy, so that these factors might explain some kinds of change but not radical reforms.

Boston *et al.* (1996, p. 16) give a parallel, but more complicated explanation about the state sector reforms of the mid to late 1980s (and one somewhat more compatible with Kingdon's window of opportunity version of the garbage can), of why it was possible to 'crash through' with a radical reform agenda in New Zealand:

New Zealand's remarkable wave of public sector reform during the mid to late 1980s was the product of a unique convergence of economic pressures and political opportunities. As in many other advanced industrial democracies, public indebtedness, fiscal imperatives, and the resultant need for a much more efficient public sector were decisive influences (Schwartz 1994). Also important was the ideological shift to the Right and the consequent preference for a smaller public sector and a more extensive reliance on market mechanisms – contracting out, commercialisation, corporatisation, and privatisation. Yet another influence was the quest for greater control over the bureaucracy and greater accountability of the executive to Parliament (see Palmer 1979).

But while the political desire for bureaucratic reform was strong and the economic imperatives undeniable, one of the distinctive and most striking features of New Zealand's public reform was the way they were shaped by certain bodies of economic and administrative theory.... The chief institution for the mediation and advocacy of these ideas, and their translation into specific policy proposals, was the Treasury (1984, 1987).... Moreover, although theories of the kind mentioned played a crucial role, numerous other factors also influenced the scope, nature and timing of the reforms: pragmatic judgments by ministers about what was likely to be feasible and politically acceptable,... the experience of other countries..., and New Zealand's political traditions, constitutional conventions, cultural heritage, and administrative history.

There are many interesting points in this complicated explanation. One is that it suggests something of a TINA (there is no alternative) principle, that is, the economic pressure and problems were so evident and the intellectual climate so clear that there had to be action of the sort taken. As discussed above, however, one can debate how severe the crisis was and why reforms came exactly when they came. Second, it is often argued that the economic imperatives ushered the economic actors into the foreground and that this opened the door to the reforms. But it is important to understand better why these actors should suddenly be so strong (and one might also worry about the democratic implications of this). This leads to the third point, that other actors, normally thought to be the important ones, such as ministers, the Parliament and interest groups, were seen to be more in the background in the reform process, even though Boston *et al.* say they are important without specifying how these actors were important and whether they just supported the economists' conclusions or modified them in certain ways.

Gregory's explanation of the reform process suggests careful planning by a small clique of political decision makers and a justification focusing on both the putative rationality of the solution and its related link to the broader public interest:

The new government was able successfully to contrast its own radical strategies with what it represented as the politically driven, opportunistic, and piecemeal economic management of its predecessor. In contrast to Muldoonism, Labour's approach to economic management was presented as a fulfillment of the 'public interest' rather than as politically pragmatic pandering to special interest groups. As such it was said to be driven by a reliable body of theoretical knowledge, which enabled the government to take a holistic, comprehensive view of economic and social factors. There was now said to be a rational plan of strategic action in contrast to the clumsy, pragmatic and ill-informed meddling that had preceded it. (Gregory 1998, p. 109)

Gregory sees the reforms as dominated by the 'econocracy', the technocratic elite of economists in strategic institutional positions.

In a related argument, that can be readily applied to the rest of the reform period, Massey (1995, p. 64) holds that the 1984 reforms were solution-driven and that this gave some actors an advantage:

It is possible in all of this, of course, to see a reform programme where the agenda was determined very much by officials. Upton has argued, for example, that 'In fact Douglas seized upon a momentum that had already gathered much ground within the ministry'. Similarly, Bolland and Mayes, while arguing that the reform program was based on a 'Chicago school' view of the world, observed that 'The main proponent of this theoretical approach was the New Zealand Treasury which had built up and propagated a consistent and focused (if uni-dimensional) model of economic reform in the early 1980s'. Indeed the view that the economic strategy adopted was largely the work of faceless Treasury bureaucracy engaged in some form of conspiracy against New Zealand was widely held.

This quite convincing interpretation indicates the importance of ready-made solutions. It also indicates how these solutions were coupled. And it focuses on the role and eventual self-interest of the bureaucrats in Treasury in pushing the reforms forward.

CONCLUSION

What can we learn from this study concerning the conditions for change? One, the economic crisis was obviously important. But to what end? The severity of this crisis was substantial, but probably in and of itself not enough to lead to radical reform, although defining the crisis both as severe and as requiring radical changes was clearly vital to pushing the reforms

through. Second, as in many other countries, abstract economic models and specific solutions derived from them were already out there. They had backers who wanted to apply them. In short, the solution was there. What was needed was the problem. The economic crisis was a ready-made problem, so the opportunity for a coupling of problem and solution was at hand. What was now needed was a policy entrepreneur and a window of opportunity. The main vehicle of change was the Labor Party, and specifically Roger Douglas. He had a strategy both for changing the Party's policies and for furthering his position inside the new government, a strategy that was swift and took most other actors by surprise. Such a strategy had a high probability of success in New Zealand's political-administrative system, dominated by an 'elective dictatorship' and few counter-forces. The 1984 election and the accompanying exchange crisis provided the initial window, and the rest is history.

This explanation – in clear accord with Kingdon's version of the garbage can – is neat, and the most convincing we can come up with. It does not argue that the result was inevitable or that the policy was 'correct', just that the prevailing conditions made it feasible and the process was favourable to its adoption. The exact nature of the problem did not matter much. The most enthusiastic reformers had known the answer for some time. All they needed was a stimulating enough question to attach it to, a policy entrepreneur with the skills and leverage to carry the day, and a window of opportunity the entrepreneur could go through. All this came together in 1984 and for a few years thereafter.

The New Zealand story demonstrates that a 'crashing through' style of reform is possible, although analysts such as Goldfinch (1998, pp. 197–8) argue that it had unexpected long-term costs such as the referendum in reaction to the radical reforms in 1993. The referendum approved the new proportional representation system, leading both to electoral instability and to limits on further radical reform. New Zealand's experience clearly challenges the idea that reform processes must be culturally sensitive and compatible, or that reforms are only likely to be implemented if they are the product of negotiation processes and consensus building (Brunsson and Olsen 1993; Olsen 1992). The normative and long-term historical implications of the view that reforms should be culturally sensitive and based on consensus building are, however, worth considering. Since reform considerations are usually many, and not simply a matter of efficiency and decision effectiveness, participation should be broad. In brief, reform processes characterized by broad participation will generally result in higher legitimacy and smoother implementation, although the solutions adopted may not be exactly what the enacting elites would like and the pace of reform may not be as rapid as they might prefer (Mosher 1967). Once the dust settles, Australia's own experience with a more gradual, consensus-oriented reform style will provide a useful contrast for comparing the ultimate effectiveness of the two approaches.

The fact that New Zealand seems to have disregarded its historical-institutional traditions when embarking on a radical reform path is especially interesting in light of its customary pattern of incremental change. Using the language of Baumgartner and Jones (1993, pp. 1–38, 235–51), one can argue that the radical changes were instigated by an external shock creating a 'punctuated equilibrium' at a 'critical juncture' in the history of New Zealand. This opened a window of opportunity for those advocating the radical reforms New Zealand adopted. Cultural counter-forces were temporarily suspended, although in the longer-run the changes made in the electoral system in 1993 can be interpreted as the electorate's attempt to return to a more moderate regime, where gradual changes are again the norm. In this sense at least, the argument that culturally insensitive reforms have a tendency to run into trouble (Christensen and Lægreid 2001) may be validated by the New Zealand experience.

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EU PROGRAMME MANAGEMENT 1977-96: A PERFORMANCE INDICATORS ANALYSIS

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Measuring the performance of public services and programmes is now a generally accepted part of the scenery of public management. In practice, it is often honoured more in the breach than the observance owing to well-known technical and epistemological problems. In the absence of reliable performance data, normative assumptions may prevail on policy makers and managers alike which are at variance with objective reality.

The critique and attempted reform of EU programme management is often based on such assumptions. This paper attempts to provide an empirical and epistemological basis to the judgment of EU programme management by identifying appropriate performance indicators, collecting data on them from audit reports over a 20-year period and constructing a methodology for analysis. Criteria for reliable sources and the effect of intervening variables on the results are discussed.

The paper reviews the evidence of the aggregate data collected for the five major EU spending areas, and suggests some conclusions questioning both commonly held assumptions about, and models for, the reform of EU programme management.

INTRODUCTION

While the literature on the European Union (EU) is awash with studies of EU institutions, policies and policy making, relatively little academic attention has been paid to the implementation of EU spending programmes. The exploration of the management deficit identified by Metcalfe (1992; see also Metcalfe 1996 and 1999), has remained largely in the hands of practitioners and politicians. There are some exceptions such as in Laffan's text on EU finance (1997, Ch. 7 on financial management), Vanheukelen on evaluation capacities (1995), Pollitt and Summa on the European Court of Auditors (1997), and also Bache and George's (1998) case study on the local implementation of the structural funds (see also MacAleavy, 1992). In one specific area only (that of fraud on the budget), has a substantial body of work developed (Norton (1986), Mennens (1986), Tiedemann (1988), Kok (1987), Tutt (1989), Sherlock and Harding (1991), Passas and Nelken (1991), Vervaele (1992), Mendrinou (1992), Levy (1990, 1991, 1996), Huybrechts *et al.* (1994), Riumschotel (1994), Brown (1996), Cullen (1996), Tupman (1996), White (1996), Laffan (1997) and Peterson (1997), and much of this is focused on legal issues of enforcement, penalties, jurisdiction, prosecution, and so on. From the practitioner side, there is a huge, if unruly, body of data.

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There have been literally hundreds of internally conducted and externally commissioned evaluations of particular programmes, expert working group reports, European Court of Auditors (ECA) special and annual reports, Commission implementation reports, UCLAF reports, House of Lords select committee investigations, and inquiries and reports by the Budgetary Control Committee of the European Parliament.

Thus, the lack of source material cannot be a reason for the relative neglect of programme management by academic study. Nor can those reasons include a lack of political significance. It can scarcely have escaped anyone's attention that the European Commission resigned *en masse* on 15 March 1999 in response to the findings of the committee of independent experts looking into 'allegations of fraud, mismanagement and nepotism' (Middelhoek *et al.* 1999; see also Middelhoek *et al.* 1999a and b). The Commission did not resign because of bad policies, policy failures or a dispute with the Council over policy. It resigned because of manifold failure in the management process from the highest to the lowest levels in the Commission, and, by implication, in the member states too. In 1995, Mr Santer made a specific promise to improve the management of EU programmes, a pledge on which he found himself impaled four years later. In the meantime, initiatives had been launched and reforms put into practice via the SEM and MAP 2000 programmes. Yet he and his colleagues resigned because of specific instances of mismanagement, and not because of their general performance as programme managers. It could not have been otherwise because nobody knew how well or badly they were doing. Although the annual declaration of assurance (DAS) published by the ECA could have served as a partial yardstick (nobody ever referred to it during the resignation crisis however), there was no accepted analysis based on an accredited set of data according to a recognized methodology which either praised or condemned the Commissioners' overall performance as managers.

Based on ideas developed for a seminar for Commission officials (Levy 1999), this article attempts to fill this gap in our knowledge. The research objective is to measure the changes in the quality of EU programme management over a 20-year period through quantitative means by using performance indicators (PIs) of the key management activities. The research design seeks firstly to clarify the dependant variable – in this case the ensemble of activities comprising programme management. We then extract eight performance indicators from those activities, identify relevant independent variables, construct generic time-related quality change indicators, and decide on appropriate data sources and a methodology for analysing them. Finally, we apply the model to data covering the period 1977–96.

The methodological framework

What actions and behaviours constitute 'programme management', and who is responsible for it? In earlier work (Levy 1990, 1992 and 1994), we

outlined a cyclical model of the EU management and control process which serves as a useful starting point. The model isolated generic functions in the post-allocation (budget making) phase. These include *authorization* (approval to access funds and the processes of transfer of funds to approved bodies), *administration* (or *operational management*) – which includes planning, setting goals and targets, problem solving, managing and storing information, establishing operating systems, reporting to line managers) – *audit* (technical, legal and regularity), and *review and evaluation* (comprehensive, effectiveness and VFM audit as well as programme evaluation), the first three of which are essentially non-judgemental (positive) in nature, while review and evaluation are normative activities. While it is difficult to talk about a single management process in the context of a multi-level, multi-agency system like the EU, these basic functions can be identified within the different levels of management (supranational, national and local), which in theory link together (Levy 1996 and 1998).

Defining management quality is an industry in itself, an important metaphor because much of the work in this field is commercial and diagnostic in nature. Prescriptive systems such as Total Quality Management (TQM) and BS5750/ IS9001 are essentially tools for organizations trying to achieve certain management standards to meet customer expectations – 'fitness for purpose' in the lexicon (Edwards Deming 1986; Mossard 1991). In this sense, TQM is product and consumer focused via process improvement. It is perhaps for this reason that TQM has proved so attractive to the public sector in the era of the 'new public management' (Hood 1991, 1995; Dunleavy and Hood 1994; Dunleavy 1994; Gray and Jenkins 1995; Pollitt 1993), although many have argued that such applications needs to take account of public sector values (Hill *et al.* 1995). This observation is surely a truism in any circumstances because of the subjective, context-specific nature of quality judgements. Insofar as quality means fitness for purpose, its particular features will be defined by the expectations of those 'consuming' the product or service, be they technical experts or lay end users. In an internal market where 'suppliers' perform one part of the management process for 'customers' in the next part, the 'outputs' or products are bits of that process. In this case, quality will mean conformance to specifications that are context specific (Flynn 1997, p. 164). In a principal–agent relationship – typically where contractors are employed – such specifications are essential if the principal wishes to retain any control over the agent's behaviour (Boorsma and Halachmi 1998, p. xxiv; see also Alford and O'Neil 1994; Henkel 1991).

We do not start out with any definition of management quality or specification for management standards, nor can such a definition or standards be established in any absolute sense by our methodology. It is not prescriptive, nor does it aim to compare EU programme management with that of any other organization. It is analytical, seeking to measure changes based on the accumulation of evidence that is identified and classified within a predetermined framework. Quality issues emerge from the evidence, and

are thus defined by the observers who gathered it. This study simply records their accumulated observations, and analyses it. Thus, the evidence can only show whether programme management is improving or deteriorating within that frame of reference, and in what ways it is doing so. The concept of management quality is used here in a purely relativistic sense.

Having defined the object of study, the next step is to deconstruct it into activities whose performance can be measured. Within the framework of performance management, PIs are generally defined as either inputs (to measure efficiency) or outputs, impacts and outcomes (to measure effectiveness) (Davies 1999, p. 151). There is a vigorous debate about their use in the public sector, much of it around deciding what the relevant indicators are and how they might be measured. As Birmingham has observed, 'the literature on PIs is long on pathology and short on prescription' (Birmingham 1990, p. 127). Meekings (1995) is evangelical in his advocacy of PIs as a tool for delivering improved performance, while Stewart and Walsh (1994) are much more sceptical. They argue that 'performance in the public domain is an elusive concept' (Stewart and Walsh 1994, p. 45). As many have observed, effectiveness measures are always going to be problematic given the difficulties of assessing long-term impact and of defining measurable policy outputs in the first place.

Rather than measuring inputs and outputs, this study is concerned with what happens in between, that is, the performance of the process of management broken into discrete activities. In the principal-agent model, it is possible to regard these activities as products consumed by principals and manufactured by agents. In this study they are generic activities that happen in every part of the management system. They affect policy inputs and outputs insofar as poor systems and bad records will clearly result in inefficiency in the use of resources and lower policy effectiveness (Jackson and Palmer 1992, p. 55). Our task is to identify quality indicators relevant to the process of management which emerge from the evidence. We make no judgements about these, and do not question why some indicators are present while others are absent.

There is one further *caveat*: PIs can be useful management and accountability tools when carefully designed and deployed parsimoniously (see Carter *et al.* 1992), but can equally be pressed into service by organizations for smokescreen and propaganda purposes. Thus, it may be argued that they should be avoided altogether in favour of say, the content of new regulation, the development of management reform initiatives, or the attitudes of programme managers gathered through survey work. While such data may provide valuable supporting evidence, they can neither indicate directly what condition programme management is in (in the first two cases), or give an indication of development over time (in the case of snapshot interviews). Fortunately, the propaganda issue does not arise as there is no standard 'official' set of performance indicators for measuring EU programme management as an activity in itself.

In this context, we propose a set of eight PIs based on the four functions of programme management – authorization, operational management, audit, and review and evaluation – outlined earlier, and drawn from the sources of evidence we have available. The fundamental approach is to build up a quantified portfolio of evidence on the quality of key management activities. To this we add qualitative data drawn from a wide range of sources (see below). The PIs are:

1. *Levels of budget utilization by programme.* Over- or undershooting budgetary allocations can be seen as an indicator of poor management *ceteris paribus*. The ECA assumes that the closer actual spending is to the initial allocation, the better. Over- and under-utilization are always remarked upon negatively.
2. *The maintenance of programme and project schedules, and evidence of delays.* This indicator is particularly important in the areas of structural actions, the EDF and other co-operation aid, and research and development projects. Although some 'dips' in performance are inevitable at the start of a new programme cycle, the key issue is whether there is an overall change between one cycle and another holding all other factors constant.
3. *The quality and coverage of management information and information systems.* This includes provision of adequate management information for managers and auditors within the framework of clearly understood nomenclature. Comprehensive and comprehensible accounts are an essential part of any management information system, an issue frequently remarked upon by the ECA.
4. *The level of controlling, checking and audit activity.* Evidence of poor control could include both a lack of regular control activity, and the existence of poorly designed or ineffective controls.
5. *The level of irregularity in procedures and payments.* Instances of irregularities in procedures show a lack of consistency and legitimacy in procedure design or a failure of the management system to enforce procedures. Irregular payments are a sub-set of this indicator.
6. *Evidence of inter-agency coordination.* In the narrow sense – examples could include the sharing of information, the harmonization of systems, joint controls and audits.
7. *The degree of planning and targetting.* Presence/absence of planning goals and specific target setting.
8. *The degree of impact assessment and programme evaluation.* Evidence of these activities confirms the existence of the feedback loop which runs through routine controls, checks and auditing into the next round of decision making and programme (or project) adjustment relevant to all levels.

As in the case of management quality, we do not claim to make any absolute definitions of these indicators; they are heuristic devices to simply rec-

ord evidence relating to performance standards over time. For this purpose, we have devised a quality change grid which records instances of: (a) improvements; (b) new problems and deteriorations; (c) recurrent problems; and (d) remedial actions in these performance areas between one period and the next.

Ideally, sources of evidence should be regular, comprehensive, predictable and independent. Practically speaking, there is only a small number of sources which satisfy these criteria. One source organization which does pass the independence test is the ECA. The ECA is not involved in programme management itself, but performs audit and evaluation functions on programme managers. In this sense, it is equally independent of both the Commission and the member state implementing agencies. Established under the Treaty of Brussels (1975), and given full institutional status by the TEU (see articles 188 and 206 especially [now Articles 245 and 276]), the Court has provided the most regular and detailed commentary on the state of financial management of EU programmes. Its remit goes beyond technical and legality audit (the 'sound financial management' obligation), so that with its expanded legal powers under the TEU and the Treaty of Amsterdam, it is in a position to influence management practices. National audit bodies must now co-operate with the Court, and the Court has acquired legal powers to obtain documents from the Commission (although not from the member states). Along with the Court's annual findings, the DAS legislated for in the TEU has now become one of the bases for the annual budgetary discharge decision of the European Parliament.

The most obvious sources of performance data are the annual reports of the ECA and the replies of the institutions (the Commission in particular), which have now built up into an archive covering more than 20 years. The reports are not without their problems as source materials, however. For example, in the context of the Court's responsibility to ensure *la bonne gestion financière* (which includes effectiveness), the reports not only comment on issues of operational management, but often stray directly into policy issues and make judgments about the wisdom or otherwise of different measures. The use of content analysis to identify statements which relate to the eight quality indicators provides a disciplined means of analysing and quantifying discourse. The advantage of this methodology is its ability to extract both quantitative and qualitative data unobtrusively and independently of the original senders and receivers (Webb *et al.* 1981; Weber 1990). On the other hand, the analysis has to be robust enough cope with the reliability problems of stability (coding by the same coder more than once), reproducibility (intercoder reliability), and accuracy (correspondence of coding to a pre-established norm), identified by Krippendorff (1980, pp. 130–54).

The interpretation of the text can be problematic. This may be surprising given the nature of the material, but there are sub-texts to the reports and the replies of the Commission which concern the extent of institutional

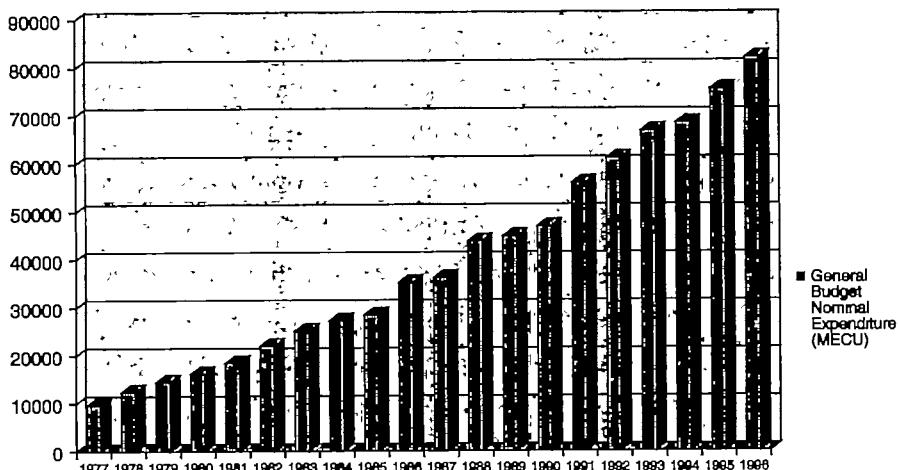
responsibilities, inter-institutional relationships, protocol, and so on. In the case of the Court's report, the material can be divided into three generic categories: *descriptive text* which outlines the factual position (so much spent on this or that item, particular circumstances found during a visit, etc.), *evaluative text* which makes judgments about particular facts and events (poor management, excessive delays, poor documentation, etc.), and *prescriptive text*, which calls on (usually) the Commission to take some specific action.

Intervening variables

The raw data must take account of intervening variables which affect the amount and quality of ECA judgments. These include growth in budget size adjusted for inflation, the enlargement of the EU from 9 to 15 members, changes in the numbers of managers and auditors and in their productivity.

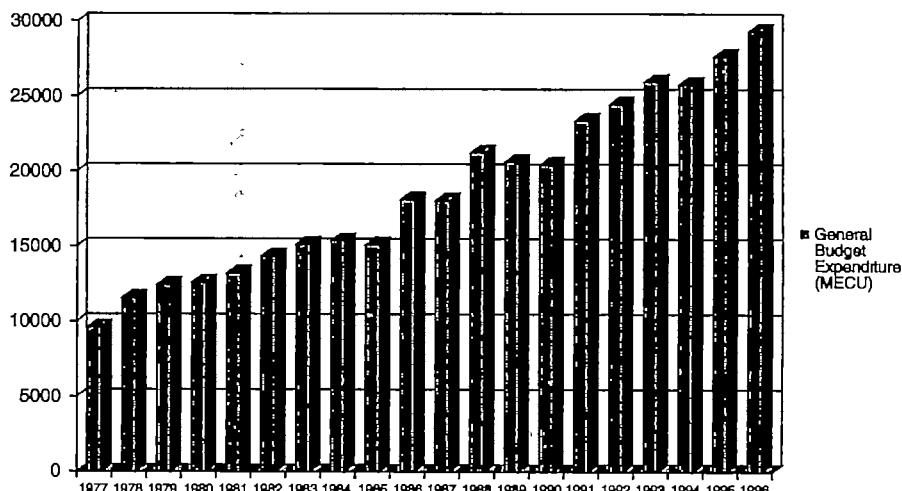
The primary variable must be budget growth. Figure 1 shows a huge nominal increase of 755 per cent (8.5-fold increase), and figure 2 a real increase (adjusted for inflation) in the order of 206 per cent (3-fold increase). While some of the largest increases do take place in the year following the accession of new member states (1982 (Greece), 1986 (Spain and Portugal), and 1996 (Austria, Sweden and Finland)), there are some very large increases in other years too (1978, 1988 and 1991, for example). It is notable that the real figures fluctuate quite sharply, with decreases in some years followed by huge increases in others.

To assess overall numbers of managers would mean trying to quantify both at the level of the Commission and the member state implementing bodies, in the latter case separating out those involved exclusively in EU



Source: ECA annual reports for the financial years 1977-96.

FIGURE 1. EU general budget nominal expenditure (MECU) 1977-1996



Source: ECA annual reports for the financial years 1977–96.

FIGURE 2. *EU general budget real expenditure (MECU) 1988–1996*

programme management from national programmes. While this may be easier to do in some areas (for example, in EAGGF guarantee), than others where programmes are jointly funded and based on limited life projects (the structural funds most notably), it is always very difficult. No such head count has ever been attempted. On the other hand, figures for the numbers and types of Commission employees are available, and these individuals work only on EU programmes. In the absence of other data, changes in total employment in the Commission can be used as a single controlling surrogate variable for changes in management resources as a whole.

Between 1977 and 1997, the total number of posts in the Commission increased from 8,250 to 16,789, a rise of 104 per cent (table 1). This compared to an almost three-fold increase in the size of the budget. Unlike changes in the budget figures, the rate of change is relatively even with the exception of one or two years. Thus there is no direct correlation between the rate of increase in the budget and the rate of increase in the size of the Commission, although increases in staffing do tend to be higher in those years when budget growth is greater. However, this is not always the case (1991, for example). If the figures are broken down further into the changes in A class (Assistant Administrator and above) officials only, a slightly different picture emerges. Here, the numbers rose from 2,165 posts in 1977 to 5,416 posts in 1997, an increase of 150 per cent (2.5 times) over the period. While this does still not match the rate of budget growth, it is a significantly greater increment than the change in overall numbers.

Furthermore, there should be an adjustment for any changes in the productivity of those officials. While statistics at the level of detail we would prefer are not available, there are figures which differentiate between the

TABLE 1 *Total number of employees, European Commission, 1977-97*

Year	Commission		Total	% change
	Permanent staff	Temporary staff		
1977	8,032	218	8,250	n.a.
1978	8,050	244	8,294	0.5
1979	8,302	278	8,580	3.4
1980	8,435	319	8,754	2.0
1981	8,828	342	9,170	4.8
1982	9,252	313	9,565	4.3
1983	9,480	360	9,840	2.9
1984	9,642	395	10,037	2.0
1985	9,894	475	10,369	3.3
1986	n.d.	n.d.		
1987	11,234	388	11,622	12.1
1988	11,823	505	12,328	6.1
1989	12,073	538	12,611	2.3
1990	12,334	553	12,887	2.2
1991	12,559	558	13,117	1.8
1992	12,911	573	13,484	2.8
1993	13,797	743	14,540	7.8
1994	14,070	848	14,918	2.6
1995	14,769	799	15,568	4.4
1996	15,574	875	16,449	5.7
1997	15,994	795	16,789	2.0

Source: Official Journal, L series 1977-97.

manufacturing and service sectors of the European economy. Productivity figures for the services sector within the EU as a whole for the period 1975-94 show an annual average rise of 1.2 per cent in the value added per person employed (European Commission 1997, p. 17, Table 2). Extrapolating this rate until 1997, this would amount to a cumulative increase in output of 28.5 per cent between 1977 and 1997. If this increment is added to changes in the absolute numbers of total Commission and Commission grade A employees, we get an adjusted increase of 162 per cent (over 2.5 times) for the former and 221 per cent (over 3 times) for the latter over the period. On this measure, the quantum of management resources in the Commission at least kept pace with the growth in the real budget. The extensive IT revolution in progress in the Commission since 1993 underscores the case for such an adjustment.

Equally, the level of audit output may vary because of input factors. If there is an increase in the number of auditors and/or their productivity, then we might expect an increase in the level of outputs even if the quality of programme management had remained constant. The number of ECA employees, including those incorporated from the pre-existing Audit Board and ECSC Audit Board, rose from 164 to 505, an increase of 208 per cent in the period 1977-97 (table 2). On the basis of the budget figures we have analysed, it would appear that even without adjustment, ECA resources kept pace with budget growth. Some further finessing may be desirable in

TABLE 2 *Total number of employees, European Court of Auditors, 1977-97*

Year	Court of Auditors		Total	% change
	Permanent staff	Temporary staff		
1977	35	129	164	n.a.
1978	117	48	165	0.6
1979	190	24	214	30.5
1980	237	22	259	21.0
1981	260	24	284	9.7
1982	269	25	294	3.5
1983	273	30	303	3.1
1984	273	30	303	0.0
1985	268	39	307	1.3
1986	n.d.	n.d.		
1987	310	56	366	19.2
1988	319	56	375	2.5
1989	316	61	377	0.0
1990	315	64	379	0.5
1991	320	64	384	1.3
1992	327	67	394	2.6
1993	334	67	402	2.0
1994	360	67	437	8.7
1995	385	73	458	4.8
1996	412	91	503	9.8
1997	413	92	505	0.4

N.B. Figures for 1977 and 1978 include employees from the Audit Board and the ECSC Audit Board.

Sources: ECA Annual reports for financial year 1977, and Official Journal, L series 1978-97.

order to differentiate between those involved in audit and audit administration only and other staff. In this case, the number of staff in the former category amounted to 106 in 1977 and 293 in 1997, an increase of 175 per cent over the period and below the rate of increase for the Court as a whole. If the figures are further adjusted to take into account service sector productivity gains, then the total number of ECA employees shows a rise of 296 per cent (almost 4 times), and audit and audit administration staff a rise of 253 per cent (over 3.5 times). This evidence suggests that ECA resources have kept comfortably ahead of both budget growth and management resources in the Commission.

There are still many unanswered questions. The failure to quantify managerial resources in the member states is an obvious weakness, and the main data source is not without its problems as we have seen. Secondly, while the universe we have created allows for change, it also assumes many constants. It does not, for example, account for changes in responsibilities between levels of implementation, as happened in the case of the reformed structural funds after 1988. This major change saw the devolution of project management to the member state/local levels and the Commission confine itself to programme approval and evaluation functions (except in the cases of the Community initiative programmes). So while the relative quantum

of managerial tasks may have remained roughly constant, the disposition of those tasks was altered quite radically. We will seek to bring these and other similar developments out in the following narrative.

Thirdly, the notion of 'audit output' which attaches no value to any individual output may also be questioned. It is self-evident that a payment discrepancy of value x is less serious than a discrepancy of value $2x$, $3x$, etc. Thus, the number of remarks is less critical than the value involved, and our methodology takes no account of this. The problem here is of finding a way of accurately measuring aggregate values of this type. It could not simply be based on the sum total of discovered discrepancies as, in the absence of sampling techniques, there was no way of knowing whether these figures were in any way representative before the advent of the DAS in financial year 1994. Since then, it is in theory possible to measure the aggregate level and value of payment discrepancies, and one could extrapolate backwards on that basis. The evidence from the DAS so far suggests that discrepancies in payments do not vary a great deal. If this is the case while managerial resources are growing relative to the budget, then it may indicate a deteriorating position. On the other hand, if auditing resources are growing at a faster rate, then the management and monitoring are probably improving as one would expect a greater amount of discrepancy discovered under these circumstances. In the absence of sufficient data, we can only speculate on this particular issue.

Fourthly, there is the question of the relative weights attached to the performance indicators. If this universe is unilinear, then all performance indicators would have the same value; changes in quality could simply be measured quantitatively by lumping scores together and controlling for the intervening variables. In reality, there is no reason to assume that each performance has the same value; different professional groups – auditors, evaluators, accountants, systems managers and so on – would tend to take a different view of this issue. It is not a question we can resolve. Thus, we prefer to treat each dimension discretely and build up a composite picture of change for each sector in each of the eight performance areas. By this means, strengths and weaknesses can be more precisely defined. On the other hand, the overall quality grid does crudely lump together all the observations to get a rough measure of change. In this case, it must be viewed in tandem with the performance indicators.

Finally, there is the issue of how recurring faults should be treated. Should they always be given the same value even if they keep appearing in the figures every year? To use a medical analogy, a chronic condition which fails to improve generally does not stay the same either. It tends to get worse. If managers are unable to solve these problems, is there a case for increasing their specific gravity as they 'age'? The inability to solve the problem becomes part of the problem. The difficulty is that there is no scientific formula for applying an increment of 'weight' to a recurring problem. This must always be an arbitrary judgement, and recurring problems

have not been given an increased weight in the analysis for this reason. We have chosen instead to comment on the inability to resolve recurring problems as a central weakness of the management process.

The main findings

Over the years, the Court has tried for its own purposes to make an overall assessment – variously – in its introductory remarks, general overview chapter, financial audit chapter and, latterly, in the DAS. While there is some continuity in this material, the number of references to specific sectors varies considerably from one year to the next, and to count them in to the total distorts the overall figures. Because of the changes in format and content, therefore, we have treated this material cautiously and not included these observations in the quantitative data, the exception being the DAS observations. In general, the observations made in the overview chapters include issues raised elsewhere in the reports, thus creating the problem of double counting. The value of these chapters is that they alert the researcher to generic issues (such as the development of computerised accounting or the general use of consultants, for example), which may not have been apparent otherwise. Thus, the data on overall management quality represent the aggregated totals of all the observations made in the four quality and eight performance dimensions for the five spending areas.

Table 3 gives the composite figures for quality changes over the whole

TABLE 3 *Quality Change Grid for European Court of Auditors Annual Report Findings (number of instances): SECTOR/Overall, 1977–96*

Year	Improvement	New problem deterioration	Recurrent problem	Action required
1977	1	7	52	17
1978	5	1	71	16
1979	9	5	87	26
1980	4	4	60	12
1981	7	7	70	10
1982	2	—	53	17
1983	4	9	72	11
1984	4	2	34	10
1985	4	9	87	27
1986	2	1	78	32
1987	8	13	105	37
1988	4	9	80	27
1989	12	17	136	48
1990	9	33	87	45
1991	18	42	125	48
1992	13	23	73	43
1993	12	21	129	38
1994	4	18	119	44
1995	12	21	141	44
1996	12	33	144	45

Source: ECA annual reports for the financial years 1977–96.

period. It is immediately apparent that the biggest single category of observations is that of *recurrent problems*. Given the repetitive nature of managerial tasks, this is scarcely surprising, although we might expect a relative or even absolute decline in this category as remedial measures take effect. While there is indeed a relative decline here in the context of the increased numbers of observations in one of the other three categories, there is still an overall increase from 55 observations in 1977 to 144 in 1996. It is perhaps invidious to compare single years, but we can approximate an increase of around 160 per cent in 'recurrent problems' over the period.

Does this mean that there is a depressing and rising inability to learn from past mistakes? Not necessarily: If we set these data against the increase in overall real spending, they do not look too bad at all. It will be recalled that real expenditure went up by over 200 per cent – thus, ECU for ECU, there was a relative decline in the number of recurrent problems reported. Moreover, with the relative increase in audit resources compared both to budget growth and the hypothesized increase in managerial resources, it might have been expected that an even greater incidence of problems of this type should have been discovered. Instead, the growth did not match the rise in spending.

On the other hand, the persistence of *recurrent problems* year on year may indicate a fundamental inability to resolve difficulties and implement solutions. If we look at the general commentary in both the annual report and DAS for the financial year 1996, for example, we find the Court referring to amongst other things, the high incidence of payment errors, the poor definition of objectives, the lack and unreliability of data, the failure to comply with procedures, problems of legality and regularity, delays in implementation and the need for a clear statement of accounting principles. Such generic issues have been around for as long as the Court has been submitting annual reports.

The other striking aspect of these data (and indeed of some of the data in other categories), is the fluctuation in the range of observations. We have also seen this in the case of the rate of change of spending totals, but it is much more marked here. While the trend is unmistakably upwards over the period, there is no unilinear progression and there are some really deviant years such as 1982, 1984, 1989 and 1992. This emphasizes the need to look at the data as a whole rather than to isolate particular years.

Turning to the category of *new problems and deteriorations*, there is an unsteady but sharply rising trend of observations. Indeed, the trend may be even more pronounced than it appears: it might have been expected that there would be a relatively high number of 'new problems' registered in 1977 as the Court swung into operation. It is important here to re-emphasize the distinction between 'new problems' and 'deterioration'. The former may arise from the introduction of new – better – management systems, while the latter are more likely to be symptomatic of poor performance. In the context of the earlier discussion about 'recurrent problems',

there is a case for reclassifying those as 'deteriorations' on the grounds that the longer a problem is unresolved, the worse it is. However, this would introduce value judgements not present in the text, so only unambiguous statements concerning deteriorations were recorded in this category.

So how does this category balance out between 'new problems' and 'deteriorations'? In fact, statements of the latter type are remarkably infrequent and the greater proportion of observations in this category are 'new problems'. If we look at the data, we can see that 1989 represents something of a watershed year in this respect, and this coincides with two key changes in EU programming: the first change was the radical restructuring of the structural funds made in 1988 which introduced five-year programme management based on new managerial structures, planning and partnership; and the second was the exponential growth in co-operation spending occasioned by the rapid unravelling of the former Soviet bloc. This resulted in the creation of new aid and co-operation programmes based on untested partnerships, and new principles and objectives. Thus, it was hardly surprising that the 'new problems' category mushroomed after 1989; so, the occurrence of these problems may be seen as an indicator of managerial innovation. While this *may* be an unalloyed good, a key issue is the capacity of the management structures to solve or better still, pre-empt problems.

The number of 'improvements' recorded has remained fairly low throughout the period, and it is difficult to discern any trend on the basis of the numbers of observations involved. However, it is the case that there are more instances of improvement recorded between 1991 and 1996 compared to 1977–82. Part of the reason for this absence of data is that there is no requirement for the Court to highlight areas of good practice, although it is evidently inclined to do this slightly more so now, given some prompting from the Commission (see below). However, we do have to look at these data in tandem with the 'recurrent problems' category. As we have argued, these observations have declined relatively compared to the rise in total spending and audit resources, and we can interpret that as an improvement overall. This also helps explain certain other discrepancies which we discuss below.

Lastly, there is the *action required* category. The first point is that there are much more data here compared to 'improvements' and 'new problems and deterioration'; secondly, despite some hiccoughs, there is a clear rising trend of observations roughly in line with the rise in 'recurrent problems'. As the Court does not generally stray outside its remit by demanding wholesale changes to policies, it only asks for action to be taken in connection with a particular problem it has identified. Thus, the number of observations here is in line with what would be expected in the context of the changes in the number of 'recurrent problems'.

One conclusion we can draw is that the Court is no more inclined now than it was in 1977 to prescribe remedial action overtly to the Commission

and other implementing agencies. While we would have to look at the detail to see if the focus has changed (more on management, less on policy or vice versa), it is the case that the Court has concentrated increasingly on making practical suggestions rather than vague calls for action of the 'something-must-be-done' variety. It would also be too simplistic to take these data as the start and finish of the Court's *desire* for action. It can be argued that the recording of problems in itself invites solutions to be found; moreover, these comments have to be seen as the 'prompt' for the European Parliament's discharge decisions which place dozens of requirements on the Commission.

Turning briefly to the Commission replies to the Court, we can see from table 4 that there is a completely different pattern of recording to the Court. Overall, 'improvement' observations are more significant than either 'recurrent problems' or 'new problems and deterioration'. In the context of the Court's perceived reluctance to highlight improvements, it is unsurprising that the Commission has chosen to do so and at an increasing rate. While the data here is again rather patchy, there is no doubt that the Commission has recorded greater numbers of improvements recently compared to the early years – average scores of two or three observations in the late 1970s contrast with average scores of about 25 observations for the mid 1990s.

How much of a discrepancy is there between the Court and the Commission over the extent of improvements? Comparing like figures, it

TABLE 4 *Recording Grid for replies of the Commission to European Court of Auditors' annual report findings (number of instances): Sector/Overall, 1977-96*

Year	Improvement	New problem deterioration	Recurrent problem	Specific disagreements with the Court
1977	2	1	10	16
1978	3	1	14	6
1979	3	–	12	9
1980	1	–	11	9
1981	6	–	11	11
1982	2	1	9	9
1983	4	–	7	15
1984	1	–	3	3
1985	7	–	10	4
1986	13	1	4	6
1987	6	–	4	3
1988	10	–	5	17
1989	11	2	14	14
1990	3	2	7	13
1991	31	6	11	21
1992	9	1	10	14
1993	36	3	8	21
1994	17	–	7	19
1995	24	4	19	14
1996	36	4	11	17

Source: ECA Annual reports for the financial years 1977-96

appears that the Commission has been able to find ever greater numbers of improvements compared to the Court; but, if these totals are seen in the context of the relative decline of 'recurrent problems' registered by the Court, then the overall data do start to match up, albeit imprecisely.

On the other hand, any increase in observations in the final category of *specific disagreements with the Court* might be interpreted as showing an increasing parting of the ways between the Court and the Commission. It would be difficult to draw this conclusion on the basis of the observations we made. While there are more observations of this type in the later compared to the earlier period, the data is very inconsistent showing peak and trough years throughout, and the numerical totals are exactly the same for 1977 and 1996.

Perhaps of more significance is the fact that the relative weight of disagreements compared to other categories generally declines over the period: the Commission has evidently preferred to concentrate relatively more attention on its achievements. More than any other category, these data reflect the changes in the relationship between the Court and the Commission than anything else. It is notable that the highest total of disagreements was registered during, and particularly at the tail-end, of the Delors Presidency when relationships between the two bodies was not particularly good. Conversely, there was a decline in Court–Commission disagreements after the arrival of Commissioner Liikanen (responsible for DG19) in the Santer Commission of 1995.

Finally, there are the two categories of 'new problems and deterioration' and 'recurrent problems'. Given that the overwhelming bulk of Commission replies do not seriously challenge the Court's judgements but try to provide further background information either to explain circumstances or show what is being done to put things right, we would not expect to find the register of more problem areas, be they 'new' or 'recurrent'. What is quite noticeable is that the Commission will highlight problems which originate from sources other than itself (usually the member states directly or the Council). For example, the Commission replies to the Court's general surveys in the reports for financial years 1978, 1982, 1983, 1984, 1985, 1992 and 1993 all mention the adverse influence of decision-making delays in the Council (ECA 1979, 1983a, 1984, 1985, 1986, 1993, 1994); neither is the Commission averse to recording difficulties caused by internal staffing shortages.

Let us now turn to the eight performance dimensions as recorded in table 5. As we have already detailed the total numbers of Court observations in table 3, we have not repeated the exercise here. The only change in the database is that we have extracted the 'improvements' registered by the Court so as to focus on the criticisms and weaknesses. To enable easier comparison between both years and categories, we have put each year's distribution into percentage form, and the data shows some consistencies, some trends and some inconsistencies.

TABLE 5 *Performance dimensions – % distribution of 'critical statements' and 'calls for action' by ECA, all Sectors 1977-96*

	Utilization	Delay	Management information	Checking and monitoring	Irregularities	Coordination	Planning	Evaluation
1977	12	20	18	8	18	12	14	7
1978	7	23	25	5	14	6	18	2
1979	7	13	20	15	13	14	13	4
1980	9	12	22	11	12	11	19	4
1981	1	18	19	10	14	19	11	7
1982	4	14	25	13	4	26	7	6
1983	11	15	27	13	7	9	10	8
1984	6	13	18	25	6	17	10	3
1985	4	14	26	16	5	20	9	6
1986	5	9	20	21	4	21	13	7
1987	5	4	18	18	5	23	17	10
1988	4	12	24	17	15	13	9	6
1989	5	5	21	22	6	21	15	5
1990	2	14	20	17	10	20	10	6
1991	6	8	18	24	9	19	7	9
1992	3	9	20	23	12	13	11	10
1993	4	10	24	23	16	15	4	5
1994	8	6	17	24	13	15	9	7
1995	6	12	18	17	16	14	11	6
1996	5	9	23	22	17	12	5	7

Source: ECA Annual reports for the financial years 1977-96.

The most striking consistencies are the high level of observations in the area of *management information*, and the low level of observations in the *utilization* and *evaluation* categories. The former reflects the consistently high numbers of observations concerning poor accounting practices, absent or deficient information, and poor and inconsistent definition of key terminology in regulations and procedures. In addition to observations in the chapters on specific programmes, every single annual report to date has referred to these issues at least once in the general commentary sections. For example, accounting anomalies referred to in the financial year 1984 are deemed to be 'partly the result of the unsuitability of data processing systems which the Commission has installed' (ECA 1985, p. 18). The DAS for financial year 1996 records a lack of data for 4.3 per cent of all payments made, and the annual report observes that '(t)he decentralisation of management of Community funds has, unfortunately, not been accompanied by the creation of appropriate management information and accounting systems' (ECA 1997a, p. 8).

The relatively low significance of the 'utilization' indicator is not surprising since the Court has traditionally limited itself to a preliminary remark about overall utilization in each sector. It has also made judgements on the VFM aspects of certain programmes or projects (more usually the latter) in the annual reports, but as we have argued elsewhere (Levy 1996), it is the special reports that provide the main VFM focus for the Court's work. The

low level of significance of the 'evaluation' category may surprise many commentators given the importance the Commission has been attaching to this issue since 1994–95, and the perceived long-standing evaluation deficit. The fact that there are few observations does not necessarily mean that evaluation is deemed unimportant. The annual report for the financial year 1996 observed that '(e)valuation is a key factor in ensuring the proper use of public money' (ECA 1997, p. 10). Nevertheless, it has not ranked high compared to other indicators. What we are looking for here is not the Court's own evaluation of policies, but its observations on the presence or absence, and quality, of evaluation activities carried out by others. Relatively speaking, the Court does not make many comments in this area.

The Court has been increasingly concerned with *checking and monitoring* activities which although not synonymous with evaluation, are essential components for successful evaluation. This upward trend arguably reflects two developments, the first of which is the process of cultural change underway as greater priority is accorded to audit and control activities, and the second being the policy life-cycle factor which places more emphasis on control issues as policies enter the mature implementation phase. Symptomatic of this is the creation of new control structures which in turn occasion comment in ECA reports. For example, the report for financial year 1996 notes that the integrated administrative control system for EAGGF Guarantee resulting from the 1992 reforms was still not fully implemented and that the new Financial Instrument for Fisheries Guidance (FIFG) management information systems 'envisaged for effective monitoring and control are still not adequate' (ECA 1997, p. 8).

Similarly, the downward trends in the *delay* and *planning* categories (although it is much stronger in the former than the latter), can be explained by the same factors. Concerns over project start-up delays become relatively less significant as programmes mature, and project planning becomes less significant compared to monitoring and checking. To an extent, these data also reflect the changing balance in the reports between different spending sectors: the early reports gave relatively greater attention to EDF spending where problems of delay and planning seem to be particularly prevalent. There were also ongoing concerns with delays in the clearance of accounts in EAGGF Guarantee which persisted into the late 1980s.

The other two categories of *coordination* and *irregularities* are both important indicators which end up somewhere around where they started in terms of overall significance. In the intervening period, however, they develop in quite different ways: While the importance of the 'co-ordination' dimension tends to rise in the middle years, it falls in the 'irregularity' category. There may be an inverse relationship between these two indicators, although it is difficult to see why that should be. The rise in the 'irregularity' category in the 1990s back to its earlier significance is easier to explain insofar as the Court has increasingly focused on checking and monitoring activities, and the presence or absence of irregularities is closely

linked to efficacy in these areas. Concerns about fraud on the EU budget have also enjoyed an increasingly high profile throughout the decade. Thus, the annual report for financial year 1995 mentions payment irregularities and irregular declarations in its general survey (ECA 1996), as does the DAS for the same year (ECA 1996a). It is also interesting that some 90 per cent of payment errors are identified as occurring at member state level in the DAS for financial years 1995 and 1996 (ECA 1996a and 1997a). If we go back to the mid-1980s, however, the general surveys in the annual reports for financial years 1984 and 1986 refer to procedural rather than payment irregularities and are focused at the Community level (ECA 1985 and 1987).

As for performance in the narrow 'coordination' dimension we have identified, it is a perennial issue which has maintained a consistent level of significance overall, albeit with some peak periods. As in the case of irregularities, the emphasis has changed within this category. There is less weight given now to exclusively intra-Commission problems compared to weaknesses identified at the member state and inter-agency (i.e. member state-EU) levels. The annual report for financial year 1994, for example, stated that a 'serious concerted effort by the Commission and the member state authorities is urgently needed in order to raise the quality of the performance of management at all levels' (ECA 1995, p. 9). After the elapse of such a lengthy period in which to perfect managerial co-operation, an observation like this is quite alarming. On the other hand, it reflects a growing fashion for inter-agency partnership and does not preclude the possibility that quality improvements have been made, but not in sufficient quantity.

CONCLUSIONS

When the committee of independent experts reported in 1999 on specific instances of mismanagement and nepotism, it led to the resignation of the Commission. In the wide-ranging analysis of the management system in the two-volume second report (Middelhoek *et al.* 1999a and b), the committee set out a comprehensive manifesto for reform. Given that much of the evidence was drawn from ECA sources going back some years, it is not surprising that it reflects some of our own analysis of the weaknesses. However, the committee did not seek to establish a longitudinal database as we have, and chose to focus on the intangibles of values and culture in the management system. These it found wanting.

On a strictly quantitative basis, our analysis suggests that there are grounds for a more optimistic view of the quality of EU programme management than is often taken. In the first place, if there is an exponential growth in the management deficit, then the ECA is not reporting it. On the evidence here, the growth of recurrent problems is falling below the rate of increase in spending. There are no grounds for thinking that the situation is getting any worse relative to the increases in spending. Secondly, the

kind of implementation problems being reported now compared to 1977 confirm the maturity of many programmes. Thus, checking and monitoring deficiencies have assumed greater importance; planning and delay are relatively less important. On the staffing side, resources – at the centre anyway – are no worse now than they were in 1978, taking into account rises in productivity. Indeed, the relative decline in 'recurrent problems' suggests that staff have not only become more productive, but have maintained and enhanced the quality of their performance. The data also point to a continuous stream of management and legislative innovation in many areas, not always successful in terms of immediate implementation, but generally positive over the longer term.

On the other hand, there are some profoundly negative indicators. All of the most basic problems recur year on year without any sign that they are close to being eradicated. On this basis, there is not much sign that effective organizational learning is taking place. And, assuming rises in productivity, shortage of staff is marginally less of an excuse now than it was in 1978. Secondly, management information weaknesses have been the largest single problem throughout the whole period. Accounting and nomenclature generated problems are remarked upon every year. Data is missing, unreliable or incomplete in too many areas. To illustrate the point, the level of irregularity in payments still cannot be estimated with any degree of certainty. Thirdly, there is a stubborn persistence of problems caused by poor inter-agency coordination. Finally, management innovations adopted in haste (endemic where there are complicated chains of accountability) are definitely repented at leisure.

These data on their own do not point definitely to either centralist or localist solutions, but rather a combination of the two. There is a need for reskilling managers as well as remodelling the management process to meet the deficiencies. We can only draw down a picture of EU management culture indirectly from the data here, although its profile is explored in more depth elsewhere where we look at the impact of the particular reform programmes, legislative innovations, etc. (Levy 2000). The committee of independent experts was at pains to argue that without changes in attitudes and values, reform measures would be empty and formalistic. There is enough evidence here to suggest that the aspiration to improve embodied in new structures has far outstripped actual improvement in the very fundamental activities of programme management.

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PUBLIC MANAGEMENT

TRENDS IN PUBLIC PARTICIPATION: PART 2 – CITIZENS' PERSPECTIVES

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INTRODUCTION

British local authorities are employing an increasing number and range of public participation initiatives, in the context of New Labour's 'democratic renewal' agenda and as the result of longer-term processes of innovation in local government. Central government is imposing new requirements upon local authorities to consult with the public – over 'best value' in service delivery, over securing community 'wellbeing', on new political management arrangements, and as a criterion for 'beacon' status (DETR 1998, 1999). At the same time, leading local authorities are at the forefront of developing innovative methods of consultation and deliberation – interactive websites, citizens' juries and panels, visioning and community planning (MAPIT 1999; Lowndes *et al.* 1998a; LGA 1998). Such methods of engaging the public are now spreading across the public sector and even to central government itself – through the 'People's Panel', the 'Foresight' visioning programme, and the on-line 'Democracy Forum' (Cabinet Office 1999).

A previous article in *Public Management* provided a unique mapping of local authority activity in relation to citizen participation (Lowndes, Pratchett and Stoker 2001). Based on survey and case study work with local authority officers and members, the article documented the growth – and

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increasing diversity – of activity designed to enhance public participation. At the same time, the article showed that participation initiatives are not always well-supported by the public and often fail to influence final decision making. This article takes the debate further by probing the views of citizens themselves about the prospect and reality of public participation – a perspective often neglected in research (although Sargeant and Steele's 1999 work is a notable exception). Exploring citizens' views is particularly important in the context of the deep scepticism about participation that persists among many local politicians (see Lowndes *et al.* 1998a); it also helps us to move beyond the 'motherhood and apple pie' tone of much government policy and think-tank output. A better understanding of citizens' attitudes and behaviour is necessary if practitioners are to address the very real problems of 'apathy' (and social exclusion) that bedevil participation initiatives, and if they are to maximize the impact and cost-effectiveness of participation strategies.

The findings reported below are drawn from 30 focus group discussions carried out with citizens in 11 contrasting local authority areas. Particular attention was paid to recruiting citizens from traditionally excluded groups, including people from minority ethnic groups and from disadvantaged areas. Each focus group involved ten participants (each of whom received a small honorarium) and lasted around an hour and a half. There were four different types of focus groups:

- 'Participators' – those who had participated in a local authority initiative.
- 'Activists' – people from local community and voluntary organizations.
- Young people – from local colleges and youth groups.
- 'Ordinary citizens' – randomly selected by a market research agency.

Half of the focus groups, therefore, concentrated upon individuals who had some knowledge of, or contact with, local government, while the other half addressed those who were largely detached from local politics. (For further details of the research methodology, including the topic guides employed, see Lowndes *et al.* 1998.)

While not claiming to be in any way 'representative' of public opinion, the focus groups provided an opportunity for in-depth research into citizens' own accounts of their relationships with local government. This article presents our research findings (in the context of other relevant research) on why it is that citizens *do* participate, and why – more often – they do not.

WHY DO CITIZENS PARTICIPATE?

The dominant view within the focus groups was that people would participate in consultations on 'the issues that mattered'. The issues most often mentioned were: environmental (litter, graffiti, dog fouling), open spaces and children's play areas, crime (particularly with relation to drugs), housing maintenance and allocations, planning (specifically rural housing

developments), and health. The issues highlighted varied among citizens, relating to people's own experiences and priorities (e.g. as council tenants, young people, parents, village residents). Citizens were clearly unaware of (and uninterested in) the specific limitations of local authority responsibilities: people suggested that their councils should consult on 'the state of the hospitals' and on 'dealing with paedophiles', for example. Citizens' immediate concerns also often spanned the responsibilities of several agencies, reflecting the findings of the government's 'integrated service teams' on the range of agencies involved in typical 'life episodes' (e.g. having a baby or becoming unemployed) (Cabinet Office 1999). Our local authority survey shows that 81 per cent of councils claim to undertake consultations in collaboration with other agencies (Lowndes *et al.* 1998a, p. 50), although focus group participants were unaware of any 'joined-up' approaches in their area.

Although our focus group respondents claimed that they would get involved on the 'big issues', very few people had actually done so – for instance, one person identified the closure of six secondary schools in his city as an example of a 'big issue' but admitted he had not got involved. (Indeed, officers at the city council confirmed that the initial meeting on proposed closures had attracted just 50 people, while a second meeting was attended by 35 – most of whom had been present at the initial session.) It is possible that when citizens refer to the 'big issues', they are identifying matters on which they feel they *ought* to participate, rather than reflecting upon their actual practice.

Members and officers in the 11 local authority areas repeatedly referred to public 'apathy' and their belief that people would only get involved if their own interests were directly affected (Lowndes *et al.* 1998a, p. 64). Focus group participants attributed less importance to 'self-interest' as a motivator for public participation. Nevertheless, it was clear from people's accounts of their own experience that involvement with the council was largely reactive: a personal reaction to a decision or action affecting one's own family (e.g. housing allocation or repairs or school exclusion), or an attempt to generate a collective response to a development with implications for a group of residents (e.g. anti-social neighbours, a new housing development, planning permission for a new take-away). People's *real* experiences of participation were more likely to relate to the protection of their own or their community's immediate interests, rather than to the wider 'issues' that they referred to in the abstract.

Even on immediate matters of self-interest, citizens commented that it was difficult to maintain participation efforts, and that there was a tendency to rely on a few committed individuals. Clearly such people did not exist in all communities, but it was striking how readily people from the same neighbourhood could identify 'natural' leaders. Although – as we shall discuss later – people often complained that 'the same people dominate everything', it was clear that the efforts of local leaders and activists were also

appreciated. Some people were ready to identify themselves as natural joiners or leaders, although they had varied views on the possibility of widening public involvement. A local business person typified one school of thought: 'People either have it or they don't. There are leaders and there are followers'. A voluntary sector representative made the alternative argument: people can be encouraged to participate via community development and 'capacity building'.

The people who had themselves participated in local authority initiatives did tend to be 'natural joiners' – members of community groups or active in other forms of consultation. The exception to this was the case of citizens who had been personally invited by the council to participate in a particular initiative. The reaction of citizens who had been telephoned as part of a random selection for a citizens' jury indicated the potential value of direct invitation. They variously felt that: 'It sounded interesting', 'It was worth a try', 'Better than watching the telly'. They were very supportive of the principle of random selection, noting that it avoided 'getting people with strong ideas – people who bang on a drum'. Interestingly, opinion poll data for the Department of the Environment, Transport and the Regions (DETR) suggest that, not only are people prepared to join 'juries', but the public at large is willing to trust their decision making – even over that of elected representatives. Given the example of building development, people were asked: 'Who would come to the best decision "always" or "most of the time"?' In response, 54 per cent chose a citizens' jury, and 33 per cent elected councillors (Bromley *et al.* 1999, p. 66).

Among our focus groups, it was the ex-citizens' 'jurors' who were most positive about public participation in local government; they were particularly pleased to have been 'well-treated'. People were very positive about the food provided, the payment of expenses, the pleasant surroundings, the level of information, the skills of the consultants who had managed the process, and (in general) the attitude of the council officers and members they met. People seemed almost surprised that they should receive such treatment, highlighting the low expectations that people have in relation to involvement with the council (discussed below).

The experience of the ex-'jurors', and of young people who had participated in a local Youth Council, threw light on the issue of incentives for participation – the 'what's in it for me?' question. It appears that 'self-interest' can be satisfied, at least in part, by the intangible benefits of participation – new skills and knowledge, greater self-respect or stronger community identity – and does not require that citizens 'succeed' in protecting their individual material interests. Those with experience of 'deliberative' participation emphasized what they had learned (over specific service-related outcomes): 'We saw how complicated it all is – it's not just a case of "the council's useless", we realised it's a hard job', 'I felt I'd never be able to do something like that – there was a feeling of euphoria at the end'. Our qualitative research with members and officers showed that they too

valued the learning that came through participation exercises (for themselves and citizens), even though the 'official' justifications for participation put 'hard' gains ahead of 'soft' benefits (Lowndes, Pratchett and Stoker 2001).

Although our survey demonstrated the increasing range of participation methods being used by councils (Lowndes, Pratchett and Stoker 2001), it proved difficult to probe the relative 'popularity' of different approaches due to citizens' limited knowledge and experience of consultation. However, the following reflections from the focus groups appear to confirm the value of developing a repertoire of different participation methods to suit different citizen groups and circumstances (Lowndes *et al.* 1998b, pp. 21–3; Goss 1999, p. 176; Stewart 2000, p. 261):

- *Public meetings* were the most readily identified form of public participation. They were seen as an opportunity for the public to voice its protest over a particular issue; there was a common feeling that council officers and members came to listen but had 'already made up their minds'.
- Most people indicated that they would be willing to complete a *questionnaire*, although the young people in our groups were less enthusiastic – as typified in this comment: 'It's got to be face to face – paper ain't facing the person'. Citizens' main concern was: 'Will they listen to the results?'. There were also some concerns about the cost of such exercises: 'If they send out a questionnaire and then don't listen to the results, it just costs us money'.
- Those who were involved in *ongoing forums*, such as youth councils, felt that such bodies 'give you a say' on a wide range of issues.
- People who had been involved in a *one-off deliberative exercise*, like a citizens' jury, saw the method as appropriate for complicated issues where it was necessary for members of the public to absorb a lot of information.
- Young people particularly liked the idea of *small group discussions* – particularly if honoraria were paid! They felt that they were more likely to 'be heard' in a focus group than at a big meeting.
- People across the board liked the idea of *one stop shops* which could act as a local focus both for accessing services and 'having your say' (discussed further below).
- There was also enthusiasm, particularly among young people, for forms of *citizen education* which explained how the council worked and what opportunities there were for participation. As one young person put it: 'I don't vote because I don't understand what it's all about. If I did, I would'.

Our findings are broadly confirmed by opinion poll research for the DETR. Of eight possible forms of consultation, the most popular forms were the postal questionnaire (47 per cent of respondents would take part), face-

to-face interviews (30 per cent) and the public meeting (23 per cent). The data suggest that there may be a mismatch between citizens' interest in participation and their actual experience: only 10 per cent of respondents had actually been asked to complete a questionnaire (4 per cent had been asked to take part in a survey interview, and 11 per cent had been asked to attend a public meeting). The survey found that 55 per cent of respondents would be interested in being more involved in the decision-making of their local authority (Bromley *et al.* 1999, pp. 62–3). According to the 1998 British Social Attitudes Survey, more than eight out of ten respondents felt that councils should make more effort to find out what local people want (Rao and Young 1999, p. 58). These data need to be treated with some caution; people may like the *idea* rather than the *reality* of participation, mirroring the over-reporting of voting behaviour (see Young and Rao 1999, p. 48). However, like our focus groups, they do point to some latent interest among citizens in opportunities for participation – an interest that local authorities need to tap in to when responding to the 'democratic renewal' agenda.

WHY DON'T CITIZENS PARTICIPATE?

To activate – or expand – any public demand for participation requires that local authorities understand the reasons behind current levels of non-participation. Our focus group discussions revealed the critical importance of four sets of factors, outlined below.

A negative view of the local authority

Those focus groups made up of randomly selected 'ordinary citizens' and of young people had overwhelmingly negative views of their local council – its services, its officers and its members. Such views were sometimes based on personal experience but were often delivered simply as 'common sense', based at least in part on prejudice. All felt that the council tax was 'too much'; all could list poor services but had to be prompted to comment on those they found satisfactory. At best, council officers were seen as polite but likely to pass you on to someone else or promise to respond and then not deliver: 'There's no problem getting officers, but what happens next?' At worst, citizens' comments echoed the traditional mantra of complaints against bureaucrats: 'They fob you off – they keep you waiting', 'They just say they'll look into it', and so on.

Citizens had very negative views of councillors too – in fact, other than someone who was related to a councillor, there was a complete absence of positive comment about councillors. Among those who had any awareness about the existence or role of councillors, the dominant view is best summed up by this comment: 'They say good things at election time, but they don't do it'. There was a clear view that councillors were 'in it for themselves', or even 'for the money! They were seen – particularly by young people – as 'men in grey suits', as inaccessible and unlikely to be

interested in their concerns. Representatives from community and voluntary groups were largely negative about councillors, as reflected in a typical comment: 'They are keen to be on things but they don't turn up, or when they do they try and dominate with their own agenda'. Indeed, Seager and Steele found that voluntary organizations were actually *more* negative than the general public in their attitudes to local government participation initiatives (1999, p. 6). Many voluntary groups expressed frustration at the fact that they had 'discrete' relationships with individual council officers (focusing on grant and service issues) and very little access to policy-making forums.

There was a strong feeling – particularly among the minority of citizens who had contacted their local councillor – that elected members should be 'out and about' more, coming out to look at the problems raised by the public. A common view was that councillors should live in the areas they represent in order to really understand local issues. Among those who had contacted a councillor, the dominant experience was of disappointment – the councillor had not turned up for the surgery, had not responded to the issue at hand, or had 'fobbed them off'. (People in several groups suggested that going to a solicitor was a better option.) While these negative experiences may not be typical of public perceptions, it seems that the health of representative and participative democracy are intertwined. Prospects for enhancing public participation are likely to be linked to the success (or failure) of new political management arrangements designed to increase the accessibility and responsiveness of local councillors (DETR 1999; Pratchett *et al.* 1999).

A lack of awareness about opportunities to participate

Among 'ordinary citizens' in the focus groups there was very little awareness about opportunities to participate or influence their council. Few people knew that they could attend council meetings, or how to find out about them. Among 'ordinary citizens' there was little awareness of tenants' associations or other standing forums in their area. At the same time, the focus groups revealed considerable enthusiasm for more information about how to contact the council: more 'eye-catching' information on services and activities, more regular and reliable delivery of council newspapers, and A-Z type directories of council services and contact points (with direct 'phone lines to named people).

Problems of access were seen as a deterrent to 'having your say', particularly among those in full-time work: 'If you are at work how can you get into the [council] office during the working day? There should be weekend or late night opening so that people who are at work all day can get in'. Those who regularly visited council offices – council tenants and single parents – complained about being kept waiting or being passed on to a different office. There was considerable support for the 'one stop shop' concept – both in theory and among those who used such facilities (or had

heard about them in neighbouring councils). The key advantages were seen in terms of opening hours, local access, and a capacity to deal with a range of services or issues: 'You need somewhere that's open all day – where you can pop in and voice your opinion'. Our research suggests that good 'customer care' is a precondition for meaningful citizen participation, and that service interfaces (like one-stop shops) may be important sites for consultation on wider issues. The communications infrastructure required to meet the government's target of 24-hour service access could also provide new opportunities for enhanced consultation (Cabinet Office 1999).

A lack of council response

The biggest deterrent to participation of all was citizens' perception – or experience – of a lack of council response to consultation (echoing the message of other participation studies, e.g. Audit Commission 1999; Goss 1999; Seargent and Steele 1998 and 1999). Our focus groups found that many people were deterred from participating because of a perception that the council 'wouldn't do anything'. Such views were often based on experience as well as prejudice and hearsay. People felt that: 'They are prepared to listen but then they do what they want'. The following experiences from the focus groups illustrate the point.

- A group of Asian residents in an inner-city area who had organized a petition against planning permission for a new 'take away' had not received even an acknowledgement from the council.
- Another group who had campaigned for the removal of anti-social tenants complained about the length of time it had taken for the council to act.
- A man who had repeatedly reported stolen wheelie-bins was disheartened when the council simply replaced the bins rather than 'tackling the problem'.
- A group of pensioners who had been involved in a campaign against a new rural housing development felt that: 'It will happen, whatever we want'.

While such reports could easily be dismissed as anecdotes, they all fed into a near-universal feeling within the focus groups that their local council thought it 'knew best' and was ultimately unresponsive to public concerns (whatever its stated intentions). This view is further bolstered by our survey which found that only one-third of local authorities felt that public participation had a significant outcome on final decision making (Lowndes, Pratchett and Stoker 2001). In a survey of 'best practice' authorities, the Audit Commission found that three-quarters failed to link the results of consultation with decision-making processes (1999, p. 41). Effective public consultation requires that council's *internal* decision-making processes are redesigned to take account of public opinion. Even (or especially) when final decisions go against popular opinion, local authorities need to inform the

public of the outcome and the reasons for the decision. Clearer statements of the scope and limitations of participation, and better feedback on outcomes – whether positive or negative, ‘soft’ or ‘hard’ – are necessary to challenge citizens’ cynicism and their resultant reluctance to participate. Our survey of local authorities revealed officers’ concerns about raising public expectations through participation (Lowndes, Pratchett and Stoker 2001); the focus group research, however, suggests that *low expectations* present a far greater challenge for those pursuing democratic renewal.

‘It’s not for people like me’ – issues of social exclusion

There was a strong sense among many involved in the focus groups that participation was for ‘other people’. For some, this was a general sense that getting involved simply ‘suited’ particular people. A stronger version of this argument was that: ‘You get put off because the same people dominate everything’. Others expressed a clear sense of exclusion on the basis of who they were. While these views did not necessarily have a ‘logical’ basis (and were often based on citizens’ own prejudices), they were strongly held and acted as a clear deterrent to participation, while fuelling generally negative perceptions of the council. The following examples serve as illustration:

- Time and again, young people (from all different backgrounds) argued that: ‘They are not interested in what young people like us think’.
- Single parents in an inner-city area felt that: ‘They take advantage of women with children – they think you’ll accept anything and not complain’.
- The dominant view within a group of white single parents was that: ‘There’s nothing for white people. People should be treated as equal’.
- A group of African-Caribbean young people in the same area complained that: ‘Asians get special treatment’.

Survey evidence indicates that councils are increasingly recognizing the difficulties involved in making consultation inclusive (Lowndes *et al.* 1998a, pp. 47–8; Audit Commission 1999, pp. 33–41). Our focus group findings underline the fact that ‘more participation’ is not the same as ‘more democracy’ – participation initiatives may reinforce existing patterns of social exclusion and disadvantage. The findings support the principle that different participation methods are necessary to reach different citizen groups: it may be unrealistic to seek ‘balance’ or ‘representativeness’ within each type of forum. Direct invitations to participate, and appropriate incentives, may be particularly important in engaging those who would not ordinarily take part. There may be something of a dilemma for local authorities in terms of, on the one hand, building the competence of those already involved in participation initiatives and, on the other hand, continuously widening the process to include new groups of citizens. Long-term community development and capacity building initiatives can help to develop the confidence and trust of traditionally excluded groups, and citizen edu-

cation – from school onwards – may assist in challenging the attitudes of 'those who dominate' (Lowndes *et al.* 1998b, p. 35).

CONCLUSION

Our focus group research reveals a range of interacting motivations for participation. It challenges the idea that the public is universally apathetic and throws light upon current deterrents to participation in local government. The research findings point to the potential value of local authority strategies which:

- Ground consultation in good 'customer care'.
- Address the stated priorities of local residents and involve all relevant agencies.
- Mobilize and work through local leaders (informal as well as formal).
- Invite or actively recruit participants, rather than waiting for citizens to come forward.
- Employ a repertoire of methods to reach different citizen groups and address different issues.
- Recognize citizen learning as a valid outcome of participation.
- Show results – by linking participation initiatives to decision-making and keeping citizens informed of outcomes (and the reasons behind final decisions)

Citizens in our focus groups had no difficulty in coming up with evaluation criteria for public participation initiatives, despite the difficulty encountered in this area by local authorities (Lowndes *et al.* 1998, pp. 68–70; Lowndes *et al.* 1998b, pp. 25–9). Succinctly stated in their own words, citizens' core criteria were: (a) 'Has anything happened?'; (b) 'Has it been worth the money?'; and (c) 'Have they carried on talking to the public?' Local authorities might do well to monitor all participation activity against this checklist.

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FUNDING SUPPORTED ACCOMMODATION: FINANCIAL AND ADMINISTRATIVE IMPLICATIONS OF REFORMING HOUSING BENEFIT

ANDREAS CEBULLA

Government proposals to reform the funding of support services in Britain require local authorities to take stock of support schemes in their areas before a new single support budget will replace existing arrangements in April 2003. In the course of the transition, local authorities will also need to scrutinize supported accommodation charges in order to remove charges for services that are unlawfully paid for by Housing Benefit. This paper highlights likely problems in the identification of support schemes and in the estimation of the costs of services. The proposed tightening of the calculation of Housing Benefit will reduce entitlements to the majority of claimants in supported accommodation, many of whom are amongst the poorest people in the country. Efforts must be made to ensure that claimants facing a reduction in their payments are not faced by steady, or even rising, housing costs. In particular, tenants in schemes, which receive no funding under the new single budget, must be protected. The paper discusses the proposals' contribution to bringing housing and community care policies closer together.

Some 447,000 households who live in supported accommodation in England, Scotland and Wales receive Housing Benefit (Cebulla *et al.* 1999). This is about 10 per cent of all Housing Benefit claimants. Supported accommodation schemes provide personal care and support services as well as housing for a range of disadvantaged groups, including elderly people, those suffering from mental illness, battered women, and the statutorily homeless. Rising costs and concerns about distorted housing markets have moved Housing Benefit to the centre of the Government's reform plans (cf. Elsmore 1998; Kemp 1998).

In the specific case of supported accommodation, court cases in the mid-1990s concluded that Housing Benefit can only be used to support the cost of 'the provision of adequate accommodation', including the costs associated with the fabric of a dwelling, but not personal care and support services. This practice was subsequently scrutinized by an Interdepartmental Review of Funding for Supported Accommodation, charged with suggesting ways to revise the public funding of the support sector, including the use and administration of Housing Benefit with respect to support schemes. Its key

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recommendation was to restrict Housing Benefit to the payment of rent for accommodation, including 'the normal level of housing management work' (DSS 1998, p. 14), and to introduce a new single budget grant payable to local authorities for funding support services in their areas.

From April 2003, the new single budget, to be called 'Supporting People' and administered by local authorities, will integrate the various funding streams currently available to support services (DSS 1999a). Local authorities will continue to be responsible for administering Housing Benefit to tenants of supported accommodation, which will be restricted to meeting housing costs and exclude service charges not related to the dwelling. Prior to the introduction of the 'Supporting People' budget, from April 2000, a new 'Transitional Housing Benefit Scheme' will require local authorities to estimate service charges and to separate these from the basic rent for support accommodation. They will also be required to prepare area need plans.

Many local authorities have considerable difficulty in identifying supported accommodation schemes and, within schemes, correctly estimating the cost of support services. This has led to notable variation in the estimation of Housing Benefit entitlements and inequitable treatment of claimants across local authority boundaries. This paper discusses problems that local authorities are likely to face in collecting the required information and assesses the potential impact of changes to Housing Benefit on the entitlements of tenants of supported accommodation. It emphasizes the need to coordinate changes to the assessment of Housing Benefit entitlements and the introduction of the 'Supporting People' budget in order to reduce the risk of creating new divisions of support services under the new regime.

The paper builds on the findings of a study estimating the cost of service charges in supported accommodation undertaken on behalf of the Department of Social Security (Cebulla *et al.* 1999), and re-analyses data collected in its course. The original research was conducted in close collaboration with 36 local authorities in England, Scotland and Wales. The local authorities undertook the identification of supported accommodation schemes in their respective areas, from which the researchers subsequently drew an anonymized sample of Housing Benefit claimants. The providers of the supported accommodation schemes were asked to break down accommodation charges into their various components, including service charges that are deemed ineligible for Housing Benefit under the current and the proposed benefit regimes. In order to produce such a breakdown, most providers referred back to their annual accounts to establish incomes and expenditures on materials and labour. They also provided a profile of staff activities, which – together with information about staff costs – allowed an estimation of the amount of Housing Benefit eligible services that were provided. The charge breakdowns were finally compared with the estimates used by the local authorities to assess Housing Benefit entitlements. The aim was to determine how far the authorities' estimates matched the

calculation resulting from research and analysis. As will be illustrated further below, local authorities use, and cannot but use, less detailed methods of estimation, but under the proposal new benefit regime will be required to make accurate assessments of service charges in supported accommodation schemes.

The discussion of local authorities' approaches to identifying support schemes and their service charges, and the impact assessment of changes on tenants, also draws on the findings of case studies of local authority, supported scheme surveys and visits undertaken in the course of the original research.

THE GOVERNMENT'S REFORM PROPOSALS

Housing Benefit is administered by local authorities, which receive annual block grant allocations from central Government. The Department of Social Security currently operates an interim Housing Benefit scheme, which restricts Housing Benefit payments to the costs of the fabric of the accommodation, but also allows some low-level personal support to be eligible for benefit. Services that remain eligible for cover through Housing Benefit are all property-related duties, including interviewing prospective tenants (Cebulla *et al.* 1999, p. 18). The preparation of meals, taking care of tenants' laundry, the administration of care plans, and other 'higher level' support and maintenance tasks, such as providing transport, are explicitly excluded from the tasks eligible for support through Housing Benefit.

Previously, some 'low-level' activities, such as dealing with rent problems or providing advice on budgeting, were eligible for Housing Benefit as long as supported accommodation staff spent at least half their time doing other 'naturally' eligible tasks (the so-called '50 per cent rule'). The latter include all property-related duties, including interviewing prospective tenants. The interim Housing Benefit scheme introduced in August 1997 removed the so-called '50 per cent rule' for new support schemes coming on-stream, while protecting current tenants whose benefit entitlements are not affected by these changes. As it was anticipated that this would lower Housing Benefit payments to tenants in new supported accommodation and reduce rent payments to support schemes, a compensation fund, administered by local authorities, was set up to fill any funding gaps that would emerge. By October 1999, six local authorities were receiving payments under this scheme (DSS 1999b).

The next 'Transitional Housing Benefit' phase from April 2000, however, promises a greater flurry of activity amongst local authorities, as they begin to assemble information about the size of their supported accommodation sector and their charging practice. This process is of crucial importance as the information about services provided, and their costs, will be used in conjunction with the findings of the local need assessments to estimate the size of the Housing Benefit budget and the new 'Supporting People' budget. The new budget will include a set amount of expenditure from the previous

Housing Benefit budget, which has been incorrectly spent on support services. It will also incorporate a number of other transfers from existing programmes presently benefiting supported accommodation schemes, e.g. the Department of the Environment, Transport and the Regions' (DETR) Corporate Supported Housing Management Grant.

The Interdepartmental Review body expects the new funding structure to encourage better coordination of supported accommodation provisions across central government and local authority departments. Crucially, the requirement of local authorities to take stock of the supported accommodation sector in their localities should increase transparency about costs and charges as well as provision, and thus help monitor the quality of services. For the providers, the proposed scheme offers easier access to funding and less diversion of effort to fundraising at the expense of providing support services. To tenants, the proposed new scheme is envisaged to offer greater choice in the type of accommodation they may live in. This is, first of all, to be achieved by encouraging landlords to provide services according to individual tenants' needs within the same accommodation. The new arrangements 'would make it easier to respond to changes in individuals' support needs without requiring them to move home' (DSS 1998, p. 11). The same arrangement would also increase the 'portability' of Housing Benefit, the amount of which is no longer tied to the accommodation scheme to the same extent it was when it included payments for service charges.

Although the Department of Social Security sees the new Housing Benefit regime as a means to simplifying the current funding regime for supported accommodation, greater simplicity and coherence of provision and funding are not the only possible outcomes of the reforms. The new single budget introduces a new administrative and financial layer, which could have been avoided by introducing a unified Housing Benefit scheme that provided for the payment of service charges. Moreover, the introduction of the single budget can only be a small step towards facilitating closer coordination of support services involving local housing, Housing Benefit and social services administrations.

Secondly, the integration of individual sources of funding administered by government departments, makes more support schemes dependent on a single fund, reducing the flexibility of their financial management. It may also lead to a two-tier system of support schemes divided between those funded through 'Supporting People' and others who are not. This is most likely to be the case where a scheme is not included in local inventories and area need plans.

ADMINISTERING HOUSING BENEFIT TO TENANTS IN SUPPORTED ACCOMMODATION

The study of service charges in supported accommodation helped document the processes of identifying support schemes in local authorities, some

of which were shown to lead to the omission of schemes from local inventories. Under the new regulations, local authorities will be required to produce inventories as part of the preparation of area need plans.

Unlike the case of Registered Social Landlords, who receive funding from local social services departments, there is no requirement for (other) supported accommodation schemes to be registered nationally. As a result, there is considerable uncertainty about the number and the size of support schemes in the country.

This lack of knowledge is further exacerbated by the absence of comprehensive *local* records of support schemes. As a general rule, Housing Benefit payable to tenants in supported accommodation is administered like Housing Benefit to any other claimant. Benefit claims from tenants in supported accommodation are not separated from other claims and are administered by the same local authority staff. Although the Department of Social Security has recently advised local authorities to flag their supported accommodation records, marking benefit claims of tenants in supported accommodation does not (yet) routinely take place and such records can therefore not be used for identifying support schemes.

The difficulty local authorities have in identifying Housing Benefit claimants who are in supported accommodation is well illustrated by the number of claimants identified by the 36 local authorities as part of the study of the use of Housing Benefit in funding supported accommodation. Their figure was only about one-third of that of nearly half a million quoted in the introduction, a figure which was derived from various housing statistics prepared by the DETR.

Identifying supported accommodation schemes

In order to identify Housing Benefit claimants in supported accommodation, local authorities had, first, to identify support schemes and then to determine whether Housing Benefit claimants were recorded at their addresses. In other words, as local authorities failed to identify support schemes, they failed to record, and underestimated the number of, benefit claimants. This explained the discrepancy between official census and sample survey-based estimates of claimant numbers and estimates produced by local authorities, which were based on, at times, imperfect local knowledge of local provisions.

Staff in local authorities used a range of concepts or definitions of supported accommodation in order to narrow or target their search for support schemes. Local authority officers who usually administered Housing Benefit claims were particularly at risk of overlooking schemes, because they did not have a shared, in-depth knowledge of the support sector.

Three ways in which such concepts or definitions were used stood out. First, an important *pre-selection* criterion was the presence of Rent Officers' adjudication. Since 1999 attached to The Rent Service, an independent Executive Agency of the DETR, Rent Officers support local authorities in

rental evaluations, including with respect to supported accommodation. Amongst others, they assess the amount of accommodation charges eligible for cover through Housing Benefit and determine any deductions to be made from charges for the inclusion of Housing Benefit ineligible services. However, not all cases are assessed. Identifying supported accommodation schemes on the basis of a Rent Officer's adjudication did not guarantee that the research collected a complete record of relevant claims. Moreover, a single adjudication may have applied to more than one site managed by the same provider.

Even where a Rent Officer adjudication was available a case may not have been included in the inventory of supported accommodation benefit claimants, because a Local Reference Rent (LRR) or Single Room Rent (SRR) had been imposed. Both rents limit the maximum amount of rent that is eligible for Housing Benefit to comparable rents in the locality. The Single Room Rent applies to claimants under the age of 25 and restricts the eligible amount for which Housing Benefit may be paid to the cost of renting a room. Where LRR or SRR apply, the Housing Benefit officer need no longer estimate and deduct ineligible service charges. In the study, Housing Benefit officers felt that, for this reason, these cases were not relevant, overlooking the fact that as tenants and landlords change, the basis for the calculation of Housing Benefit may also change.

Support schemes were also *de-selected* where the payment of a charge was met through transfer payment within the local authority. This probably accounted for the greatest number of omissions. Local authority-owned schemes were omitted in the belief that the eligibility of their service charges had already been established, usually by the authority's social services department. The Housing Benefit administrator would therefore be presented with the 'correct' rent, excluding any ineligible service charges, from which he or she could calculate the Housing Benefit entitlement. Rent Officer adjudication was not required. While this assumption may have been correct in some cases, in the majority of instances, the eligible rent calculations of local authority-owned schemes proved no more accurate than those of schemes owned by private or voluntary organizations.

Local authority-ownership, however, was also used in some instances, as the *sole selection* criterion for inclusion in the inventory. Local authority-owned schemes were, of course, amongst the easiest to identify from existing local authority records. Due to the complexity and labour-intensity of the task of identifying supported accommodation schemes, it was sometimes most economical for staff to list only authority-owned schemes. The selection of authority-owned schemes still required support schemes to be separated from other social housing, which did not provide support services. However, this did not always happen, which in some localities resulted in inflated estimates of the local authority-owned support sector.

In summary, local authority staff used different task-reducing methods to prepare their inventory for the research. The conclusion for the impending

introduction of the Transitional Housing Benefit scheme was that sufficient time and resources must be set aside to prepare their inventory. The three years currently envisaged might appear to provide sufficient lead-in time, but the additional task of identifying eligible and ineligible charges, and maintaining and updating records, might also require extra staff.

Eligible cost estimates

In order to correctly estimate the Housing Benefit-eligible rent, local authorities frequently rely on the expertise of Rent Officers, who provide their estimates of costs of eligible and ineligible charges. In other instances, however, local authorities may agree eligible charges with supported accommodation providers directly. These agreements may be renewed annually, following inspection, or as and when the ownership or the type of the support schemes changes. At present, variations in the practice and in the assessments of eligibility are widespread and encouraged by the large 'grey' area of individual service charge that may be eligible in some instances, but not in others (Oldman *et al.* 1996; Cebulla *et al.* 1999). Provider organizations themselves find separating service charges between eligible and ineligible elements, and between individual schemes, difficult.

Unsurprisingly, the complexity of the task faced by local authority staff in identifying claims from tenants in supported accommodation and in assessing the amount of eligible and ineligible charges, has in the past created quite remarkable errors in the estimation of Housing Benefit entitlement. For 1996/97, it was estimated that only about 5 per cent of claims from tenants in supported accommodation were accurate within £1 of the estimated eligible Housing Benefit (Cebulla *et al.* 1999, pp. 40–1). In two-thirds of cases, Housing Benefit was paid in excess of the eligible amount, totalling £420m of overpayment for the whole year, or 20 per cent of the total estimated annual Housing Benefit expenditure in supported accommodation. However, in about 28 per cent of cases, the payment was less than the actual entitlement ('underpayments'), totalling some £200m. The main source of the error in estimating Housing Benefit entitlements was incorrect deductions for ineligible labour (as opposed to material) costs (Cebulla *et al.* 1999, p. 43).

In order to avoid a shortfall in their budget allocations under the proposed new regime, local authorities will need to be sure to correctly estimate and separate out the costs of providing accommodation and the cost of providing services. In addition, local authorities will need to account for all support schemes in their areas. Since providers of supported accommodation expect to benefit financially from the new provisions, they are likely to make sure themselves that their schemes are included in the inventory. In turn, this should help local authorities in completing their task.

The successful completion of these accounting tasks will greatly influence the viability of the new funding regime scheme. Moreover, it will be

important to avoid any disruption to the payment of Housing Benefit in the course of the transition.

CHANGES IN BENEFIT ENTITLEMENTS OF TENANTS IN SUPPORTED ACCOMMODATION

Claimants in supported accommodation are amongst the poorest people in the country and the proposed changes may have a profound impact upon their living conditions. Over half of the claimants (54 per cent) receive Income Support or means-tested Jobseeker's Allowance. Over a third (35 per cent) receive a state pension; a quarter of whom have no further income, apart from Income Support to bring the state pension up to an agreed minimum income level. Over 80 per cent live in sheltered schemes, which offer accommodation to people with special housing needs, e.g. the elderly, including communal accommodation (Cebulla *et al.* 1999).

Housing Benefit entitlements will change as the old system of assessing claims is, first, replaced by the Transitional Housing Benefit scheme and, later, set to run alongside the 'Supporting People' Grant. Although this will affect claimants' income from Housing Benefit, it should not affect their living standards, as long as rental charges from supported accommodation schemes change in line with benefit entitlements as implied by the new funding regulations.

However, this may not always be the case, most notably because:

- providers of supported accommodation fail to pass on to tenants any reductions in the costs of providing services that should result from them receiving funding from the compensation fund and, later, 'Supporting People'; or
- providers fail to receive funding from the compensation fund or 'Supporting People'.

Failure to receive funding may be due to delays for administrative reasons, which, in most instances, should only be temporary. Delays will nevertheless generate a shortfall between the provider's charge and income and the tenant's ability to pay, if the latter's Housing Benefit claim has already been processed and assessed according to the new tighter regulations. Providers may be forced to continue to charge for services, thus transferring the shortfall to the tenant. A second reason why providers may fail to receive funding is because their schemes are not considered under the local authority's area needs plan. This may be because a scheme had not been included in the initial inventory, or because the scheme's services were considered in excess of local need. In this case, the shortfall may be permanent and may require the provider to obtain bridging funds elsewhere, or the tenant to foot the bill or to move on.

Adjusting for over- or underpayment

The likely financial implications for tenants of the Housing Benefit changes can be illustrated with respect to the over- and under-payment of benefit under the present regime.

Housing Benefit claimants who also receive Income Support or Jobseeker's Allowance, and individuals living in supported accommodation other than sheltered, would have experienced the largest changes to their Housing Benefit entitlements, assuming they had been accurately estimated according to the rules and regulations of the regime in place until April 2000.

Income Support/JSA recipients who currently receive Housing Benefit in excess of the estimated eligible amount, would, on average, have seen their weekly income from Housing Benefit drop from £69 to £49. In many cases, this would have been equivalent to nearly half the weekly Income Support/JSA allowance. Similarly, Housing Benefit claimants who are not in receipt of Income Support or Jobseeker's Allowance would face an average reduction in benefit of £12, or just under 8 per cent of their combined income, including income from Housing Benefit. Most affected by decreasing Housing Benefit, however, would have been tenants in supported accommodation outside the sheltered sector, where the average entitlement would have declined from £88 to £48. In contrast, claimants who currently receive less than their estimated entitlement of Housing Benefit would have seen increases in benefit that, in most instances, would have extended to meet the full cost of their accommodation charge, before means-testing.

Under the Transitional Housing Benefit Scheme, the changes will be even greater after service charges previously covered under the 50 per cent rule become ineligible in all cases. Housing Benefit entitlements are destined to decline yet further with the introduction of the new 'bricks-and-mortar' Housing Benefit after April 2003. This looks set to remove the eligibility of even the most basic tenant-related services for funding through Housing Benefit, but leave eligible the accommodation rent and charges for basic housing management. A re-analysis of the data used in the study revealed that the basic rent of sheltered schemes averages around £42 compared to an average total charge of about £60. In non-sheltered accommodation, basic rent amounts to £45 of an average charge of about £89. In all instances, basic rents are fairly similar across schemes, regardless of whether the Housing Benefit payment based on the total charge incurred an over- or underpayment; this is due to the source of over- or underpayment being labour charges rather than capital charges. Basic rents of Income Support/JSA recipients (£43) were marginally higher than those of other Housing Benefit claimants (£41).

These figures provide some indication of the very considerable effects that the proposed changes will have on benefit entitlements, which will be only marginally affected by the inclusion of some housing management charges. In order to avoid unnecessary cases of hardship amongst claimants, but also amongst providers of supported accommodation, it is of great importance to ensure that the new system or systems of funding are introduced in parallel and closely coordinated. For some local authorities, especially those with larger caseloads of claimants in supported accommodation, such as in some of the London Boroughs, but also in the more

remote seaside and retirement towns, this may require dedicating teams of staff to implement the new structures.

DISCUSSION

This paper has argued that the new 'Supporting People' funding regime needs to be phased in with some care and foresight in order to avoid Housing Benefit claimants losing out and suffering financial hardship, even if only temporarily. Coordination is also required that ensures the work of the supported accommodation sector and its landlord organizations is not unduly interrupted by the proposed changes. The new funding regime will decrease the supported sector's dependency on generating rental income, which will benefit especially those schemes whose tenants find it difficult to maintain their payment of charges. Increasing direct funding from the public sector can enhance the stability of provision and facilitate medium- and long-term planning. However, the substitution of a single budget for various departmental funding streams may prove counter-productive should it jeopardize flexibility of management or create new divisions of funded and unfunded support schemes. At present, the government proposals have little to say about the risk of a two-tier system of support schemes.

But 'Supporting People' is more than just about the financing of the supported accommodation sector, or at least it ought to be more than that. Yet, it is a rather technocratic proposal, putting forward solutions to a broader policy agenda which are driven by concerns about the funding and the effective regulation of the supported accommodation sector.

Its three principal objectives are:

- to put supported accommodation funding on a more solid footing;
- to increase the accommodation choices for people needing support; as well as
- to resolve the issue of ineligible service charge payments under the old Housing Benefit system.

'Supporting People' therefore straddles the areas of housing policy and community care provision and for this reason, its reach is beyond that of a simple mechanism for funding support services. It is an important document, because it acknowledges the need for improving the coordination of activities of, and co-operation between the various bodies involved in the supported accommodation sector. As such, it is an example of 'joined-up government'. Yet, there appear to be a number of unresolved issues and the document's proposals may not yet go far enough to address these.

The proposed reforms are designed to support and facilitate 'independent living' amongst people with special needs, which has been at the core of community care policy in the UK for some time. However, achieving this objective has been undermined by the deterioration of housing choices

for people with care needs, as a result of public policy that brought about the demise of the public housing sector (e.g. Lund and Foord 1997).

'Supporting People' does not purport to offer a solution to this problem. Its concern with support services leaves it largely void of references to the problem of adequate housing of good quality for people requiring support, and of suggestions on how best to address these issues. The proposal's designs to facilitate co-operation and coordination between local authorities and statutory agencies, which should have housing provision as part of its agenda, are confined to the provision and quality of support services. Thus, the document fails to pick up earlier suggestions to integrate housing and support that will help overcome the recurrent problem of incomplete and inconsistent information provided by statutory agencies to tenants and prospective tenants about their choices and options (Hudson *et al.* 1996).

That the implementation process of the new benefit regime could in fact provide ample opportunity for closer co-operation between local authorities and statutory agencies across both policy areas cannot be denied. The opportunities seem greatest if and when the specialist skills and knowledge of the supported housing sector and of tenants needs that the process will generate amongst Housing Benefit staff can be fully utilized to integrate service and housing provision at the local level. The extent to which this will happen remains to be seen.

However, a major threat to this process might yet emerge from the same source that is promoting the change. As the responsibility for managing the new funding regime has been assigned to the Department of the Environment, Transport and the Regions (DETR), it is now looking for a 'transparent and robust' formula for the allocation of revenue funding for 'Supporting People' at the local level (DETR 2000). Although expected to be derived from 'defensible indicators of variations in the distribution of need at a local level', the results of formulaic calculations can only have a limited life span. They are static and, more importantly, retrospective, rather than flexible and forward-looking. Moreover, if formulae are to be employed to distribute Central Government revenue, what role is there for independent local need assessments in determining funding requirement?

The current proposals could well be exposed as a major source of inflexibility. The inclusion of (ineligible) service charges in Housing Benefit payment in the past is almost universally acknowledged as having given tenants – within the well-known constraints of supply deficits and rent caps – a certain flexibility to accept and change accommodation and services. Much of this flexibility will disappear under the new funding regime.

Under the new regulations, local authorities will be given a greater role in determining local need. Yet, the proposed reforms do not appear to empower users to the same extent. Not only will (many) tenants with support needs continue to require Housing Benefit to afford accommodation, under the new regime they will also depend on the discretion and the planned resources of the local authorities as the latter decide whether to

fund a person's support services. Experience with (means-tested) benefit regimes, from the past to the present day, suggests that such dual dependency only increases uncertainty and could, in this case, very likely undermine tenants' accommodation and support service choices. In effect, the reforms look unlikely to help the integration of people with special needs into the mainstream housing market and society in general, as any such moves would be dependent on the portability of support services as well as Housing Benefit.

'Supporting People' will change much of the current provision of support services and accommodation. But it will also leave many questions unanswered. There is scope – and a need – for further reform, and for greater efforts to join up policies in this sector.

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REVIEWS

PRISONERS OF PROFESSIONALISM: ON THE CONSTRUCTION AND RESPONSIBILITY OF POLITICAL STUDIES. A REVIEW ARTICLE

MARK BEVIR

Richard Rorty . . . characterized the contention by analytic philosophers that their greater professionalism has helped them achieve greater clarity and rigor than their predecessors as 'pathetic', adding that 'when a discipline is driven to defend itself by appeal to form rather than content, one may begin to wonder whether it has the self-confidence it claims to have'.

Stanford Report, 3 February 1999

In 1908, Graham Wallas published *Human Nature in Politics* to convey his dissatisfaction with the then dominant forms of political studies (Wallas 1908; and for comment Bevir 1997). Elsewhere he complained, we are told, of 'a conscious or half-conscious attempt to substitute a satisfying picture of that which does not exist for an unsatisfying picture of that which does exist' (Collini *et al.*, p. 368). His main target was the tendency of Benthamites and idealists to deduce the operation of democracy from assumptions about reason, self-interest and moral character. Nonetheless, he easily could extend his complaint to studies of comparative institutions in so far as these tended to treat the formal legal character of an institution as an adequate guide to its operation. Wallas called instead for the quantitative study of actual behaviour.

In 1997, David Butler and Dennis Kavanagh published the most recent in a series of studies of British general elections (Butler and Kavanagh 1997). The Nuffield election studies, which were started in 1945 by R.B. MacCalum and A. Readman, appear to realize Wallas's vision of a behavioural and quantitative discipline. They contain a brief history of the previous Parliament, accounts of the campaigns, an analysis of the backgrounds of

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candidates, and reproductions of opinion polls, together with a statistical appendix.

One narrative of the study of politics and public administration during the twentieth century is thus that of scientific progress based on increasing empirical rigour and theoretical sophistication. However, recent decades have witnessed the rise of rational choice theory, which resembles the Benthamism that Wallas attacked more than the quantitative behaviouralism he championed. A second narrative of the study of politics and public administration during the twentieth century thus emphasizes the persistence of competing idioms in a way characteristic of pre-scientific disciplines. A third narrative evokes a process of professionalization in which the discipline has become increasingly formally organized, governed by internal norms, and distant from the concerns of practitioners.

Elements of these three narratives, but few others, are found in an important collection of essays, edited by Jack Hayward, Brian Barry and Archie Brown, that review the state of the discipline at the end of the century. These three narratives can co-exist because they all promote an internal history of a discipline defined in relation to an apparently unproblematic subject matter and a largely autonomous professional body. This internal perspective identifies a distinctive British approach to politics and public administration that is committed to agency, hostile to scientism and grand theory, and sensitive to history and contingency (Gamble 1990; Hayward 1991; Kavanagh 1974; Page 1990).

Despite the popularity of this conception of a British approach to politics and public administration, we should challenge it on a number of grounds. One problem with it appears in the tension between the alleged characteristics of a distinctive British approach and the modernist empiricism that inspires many British studies of politics. We can see this tension in a performative contradiction within the collection edited by Hayward, Barry and Brown. Because agency entails an ability to act for reasons of one's own, and because hostility to scientism entails a refusal to reduce such reasons to objective facts about individuals, together they should prompt us to view actions and institutions as expressions of reasons located against webs of belief and traditions. If we thus focused on traditions, we probably would describe the British study of politics and public administration in the twentieth century in terms of various strands of scholarship characterized by intellectual commitments susceptible to historical variation and development. Yet the collection proceeds instead to treat the political as a given empirical domain to be divided into discrete topics – including public administration, pressure groups and elections – apparently defined outside of any tradition or narrative.

To explain the performative contradiction, we will examine a debt that political studies owes to a modernist empiricism characterized by atomization, classification, and quantification. This modernist empiricism also dominates public administration. Studies of policy networks, for example,

typically atomize networks; they divorce them from their particular contexts so as to construct analytical classifications, and they objectify them so as to concentrate on managerial issues. Recognizing this debt to modernist empiricism will open the way to further challenges to the internal perspective. Here we will treat the subject matter of political studies and public administration as the contingent construction of broader intellectual traditions. And we will treat students of politics and public administration as embroiled in broader developments of power and the state.

On one level, the volume edited by Hayward, Barry and Brown represents a millennial celebration of political science, including public administration, in Britain. It is thus the first of the British Academy's Centenary Monographs, each of which will be explicitly designed 'to demonstrate the vitality of British Scholarship at the start of the new millennium'. On another level, however, the volume offers us certain narratives in terms of which to think about the development of the discipline within Britain. By defining the past in a certain way, moreover, these narratives serve to legitimate and advocate a restricted agenda for future research. When we pose a challenge to these narratives, therefore, we question the internal perspective so as to rethink the discipline in a way that opens up new vistas.

The contributors to the volume generally agree upon the outline of an account of the British study of politics. Typically, they suggest that we can define a distinctive British approach to the political by reference to persistent themes, including a concern with agency, a sense of the stability of institutions, and a suspicion of theoretical generalizations. The contributors also typically evoke a dual movement around these themes during the twentieth century: British scholars remain loyal to these themes, even battling on their behalf, when confronted by various, predominantly American, alternatives; and British students expand and develop the range of general topics and particular studies covered by approaches that embody these themes as the discipline becomes better integrated, financed and staffed.

The chapters of the volume share a common structure that reflects this account of the British study of politics and public administration. The contributors typically describe the main theorists or theories in the relevant sub-field, sometimes showing their similarities, at other times evoking a cacophony of conflicting voices, rarely suggesting a cumulative development, but almost always relying on the American scene as an explicit or implicit contrast. The essays are, moreover, predominantly internal histories of a discipline: although on occasions the authors relate the ideas they discuss to the changing political context with its distinct challenges and problems, they do so considerably less than might be expected.

The British approach to politics and administration, the contributors

almost unanimously agree, embodies themes that distance it from a positivist political science identified as a distinctive American approach. Alan Ryan's study of 'the critique of individualism' usefully brings out many of the philosophical commitments lurking in the relevant themes. The concept of critique evoked by Ryan derives from Immanuel Kant: it implies not a total rejection of the object, but an intensive investigation that uncovers the strengths and weaknesses, complexities and limits, of the object. The critique of individualism, as explored by Ryan, begins in earnest with the idealists of the late nineteenth century. Idealists such as F.H. Bradley and T.H. Green rejected the 'narrow individualism' they believed underlay utilitarianism and earlier forms of liberalism. They argued that the rational individual or utility maximizer does not exist in the real world. Rather, the individual arises as an inherently social construct with imperfect knowledge and messy preferences. While the idealists thus rejected narrow individualism, they remained committed to what Ryan usefully characterizes as 'personalism' – they held the individual to be capable of rational agency, and they ascribed moral value to the individual. There is little in British thought to sustain a thorough anti-individualism that rejects not just the narrower individualism characteristic of utilitarians and social-contract theorists but also this broader personalism.

Paul Kelly, like Ryan, highlights the strength of individualism, conceived as personalism or an emphasis on agency and freedom, in British thought. Indeed, Kelly raises personalism to a unifying theme across apparently disparate approaches to the history of political thought. He evokes a 'deep-seated British scepticism about approaches to politics that deny freedom and agency at some level' as the crucial motive behind 'the preoccupation with freeing the language of the history of political thought from over-determination by theories of ideology, by naturalistic conceptions of political explanation or by structuralist conceptions of language' (p. 61). Vernon Bogdanor makes a similar argument with respect to comparative politics. He evokes hostility to a scientism that would deny agency by extending naturalism, general laws, and grand theory from the natural sciences to other disciplines. He then finds such hostility everywhere – in the philosophy of Gilbert Ryle, Ludwig Wittgenstein, and J.L. Austin, the jurisprudence of H.L. Hart, F.R. Leavis's literary criticism, and the history of Lewis Namier and A.J.P. Taylor, as well as the political theories of Isaiah Berlin and Karl Popper (p. 149). If there is a central tendency' in the British study of politics', Bogdanor concludes, 'it lies in the aversion to positivism, understood as the doctrine that the model of the natural sciences constitutes the only valid form of knowledge' (p. 150). Jeremy Richardson more succinctly describes 'the centre of gravity of British political science' as 'largely atheoretical' (p. 221). Even in the sub-field of electoral studies, William Miller informs us, 'mechanical laws of political behaviour, even recast as "empirical regularities", have not only proved difficult to discover and prone to decay, but also of limited scope and significance' (p. 223).

A stress on agency, implying that people might act in a novel fashion, draws our attention to the contingent and historical nature of politics. Hence, Miller's more positive account of the British approach to political studies appeals to 'the balance between theory, history, awareness of contingency and sensitivity to context on the one hand, and abstract analysis on the other – a combination that frequently led to limited and modest generalizations and to as much concern for the exception as for the norm' (p. 255). Tim Dunne similarly identifies 'a generic British predisposition' at work in international studies: a predisposition characterized by 'a sense of one's own history and that of others; a recognition that certain patterns are enduring; a resistance to the articulation of universal moral prescriptions; and a scepticism towards proponents of revolutionary change in favour of a more gradualist approach' (p. 400). Small wonder then that Barry takes the collection of essays as evidence of the persistence of a native ethos of 'soberness, scepticism and distrust of any dogmatic ideology, maybe even a utilitarian and individualist bent' (p. 467).

Contributor after contributor thus lines up to define a British approach to the study of politics and public administration in terms of a commitment to agency, a hostility to scientism and grand theory, and a sensitivity to contingency, history and the particular. Apart from the occasional perfunctory appeal to 'tendencies which lie deep in British intellectual life', however, none pause to ask why this should be so (p. 149). We might pause here also to note that Barry's appeal to utilitarian individualism takes us full circle to the target of the idealist critique of individualism as described by Ryan. The themes that allegedly define the study of politics and public administration in the twentieth century thus appear also to be present in many nineteenth century thinkers. This might not be a problem if we wanted to stress the continuity between Jeremy Bentham, Walter Bagehot and David Butler, or between Thomas Carlyle, Green and Bernard Crick. However, these essays persistently rely on the idea that the twentieth century has witnessed the separation of the study of politics and public administration from its antecedents in philosophy, history and law. Hence, if the themes that allegedly define a British approach are present among these antecedents, they cannot adequately distinguish that which they purport to define.

How, we should ask, did the political become established as an empirical domain distinct from philosophy, history and law? In the simplest of terms, we might divide nineteenth century political thought in Britain into two strands deriving from the Enlightenment and the romantics (Bevir 1996, 2002). Enlightenment thinkers, such as Bentham, believed in scientific and rational enquiry. Typically, they sought to base such a science on an individualistic and hedonistic psychology. Romantic thinkers, such as Samuel

Coleridge, voiced an anti-Enlightenment rejection of this atomistic account of the self as a string of momentary sensations. Yet, in contrast to pre-Enlightenment thinkers, they typically retained an individualist bias in that they emphasized the unique personality of the individual.

The encounter between Enlightenment and romantic thought opened up the intellectual space in which nineteenth-century philosophers, historians and jurists wrote about politics and public administration (Collini *et al.* 1983). On one hand, the romantic critique of the Enlightenment reinforced T.B. Macaulay's rejection of the deductive Benthamite method in favour of an inductive Whig philosophy of British history (Burrow 1988; Collini *et al.*, Chapter 3; Francis and Morrow 1994, pp. 96–8). Nineteenth-century liberals thus began to appeal to history, tradition and culture as well as rational self-interest. Even John Stuart Mill drew inspiration from Coleridge and Auguste Comte when modifying his Benthamite heritage to champion an inductive method and to stress the importance of the level of culture as a factor in determining what political system suited a particular society. Bagehot likewise appealed to national character to found the scientific study of politics (Bagehot 1993; and for comment Collini *et al.*, Chapter 5). He described the British as a moderate, steady people who lacked imagination, enthusiasm and the impulse to grand theorizing. The nature and strength of the British constitution derived, he suggested, from this largely unchanging national character, rather than a mythic communion as often suggested by Whigs. On the other hand, the reworking of romanticism in idealist philosophy and later sociology brought a reading of history as exhibiting a moral progress associated with reason and harmony. Followers of Green, such as Bernard Bosanquet and D.G. Ritchie, explored the development of moral personality within its social and historical context (Den Otter 1996). In doing so, they appealed to national character, Darwinian processes and Hegel. Similarly, although L.T. Hobhouse saw conflict as a fact about the world, he insisted that conflict typically prompted us to create forms of order that were more in accord with a harmony also latent in the world (Collini 1979).

J.S. Mill, Bagehot, Ritchie and Hobhouse all exhibit to varying degrees a concern with agency or character, a suspicion of deductive models and scientism, and an awareness of historical contingency. Yet they approach the study of politics and public administration through philosophy, history and law. In their work, the political realm appears less as a distinct empirical domain governed by its own regularities, than as an arena within which character and reason work themselves out, often in an explicitly evolutionary process. Wallas surely would have dismissed Bagehot's idea of national character and Hobhouse's of latent harmony as satisfying pictures of that which does not exist.

The political became established as an empirical domain, apart from philosophy, history and law, only when the ideas of character, reason and evolution lost their hold on the imagination. This process occurred through-

out the first half of the twentieth century following the rise of modernism and gained momentum after World War One. Theoretical and social dilemmas wrought a change in outlook that led not only to the decline of moralistic and evolutionary approaches to politics and public administration through philosophy and history, but also to the rise of new approaches inspired by an atomistic and analytical empiricism.

World War One undermined the nineteenth century faith in reason and moral progress. Observers found it harder and harder to conceive of the political as a realm expressing moral character or the philosophical and historical evolution of reason. Where actions had been conduct infused with the reason and morals of the individual, they now became behaviour to be analysed either apart from any assumptions about mind or in relation to hidden desires and depths which often overpowered reason and morals (Stuart Hughes 1961).

World War One also lent a fillip to forms of scepticism – themselves often responses to the Victorian crisis of faith – that broke the world down into atomistic units rather than making sense of these units in terms of their place in a grand narrative of progressive development. The resulting modernism focused on discrete, discontinuous elements to be assembled into categories or models rather than moral stories (Everdell 1997). In philosophy, G.E. Moore and Bertrand Russell pioneered an atomistic and analytical style opposed to the speculative and moralistic tone of Green or Herbert Spencer. In economics, W.S. Jevons, Alfred Marshall, and A.G. Pigou, began to divorce economics from both the moral sciences and history, thereby opening up the possibility of a discrete empirical domain capable of being studied quantitatively and through analytical constructions based on atomistic individuals (Schabas 1990).

Modernism undermined approaches to politics and public administration as expressions of philosophical or historical processes. Political actions and institutions became discrete units to be investigated individually prior to being assembled into larger sets based on their similarities as opposed to a philosophical or historical narrative. Modernist empiricism inspired a quantitative approach to human behaviour as advocated by Wallas and developed by the British Institute of Public Opinion (BIPO). Following its formation in 1937, the BIPO surveyed large numbers of representative individuals on specific issues. It divided people's views on any given issue from their wider webs of belief, and it then proceeded to construct public opinion analytically out of these atomized views. The modernist nature of this approach contrasts with the idealists' reliance on a case-study style of social work, and also with a Mass Observation that used varied sources, such as diaries, documentary and observation, to produce micro-studies of individuals, families, industries and towns, all conceived as holistic in nature.

Modernist empiricism also inspired a search for typologies in comparative politics. Although James Bryce evoked a comparative method, he con-

tinued both to locate institutions firmly within the whole of the state of which they were a part and to argue that all societies evolved toward democracy (Bryce 1921; and for comment Collini *et al.*, pp. 236–46). The modernist break with such positions appears only after World War One in the work of Herman Finer. While Herman Finer's *Foreign Governments at Work* (Finer 1921) contains an analytical index of topics that enables the reader to compare similar institutions in different countries, his major work, *Theory and Practice of Modern Government* (Finer 1932), proceeds topic by topic, treating each institution in relation to similar ones in other countries rather than within the contextual whole offered by that country. This now familiar approach of comparing various legislatures or constitutions to establish typologies embodies the modernist gesture of breaking previous wholes into atomistic units to be located next to similar units understood as separable objects of analysis. Whereas the political had been explored in relation to philosophical and historical narratives, modernist empiricism thus established an epistemic space in which it might be explained by the discovery of laws or regularities based on quantitative analysis of opinion and behaviour or on the creation of suitable typologies.

To recognize how politics became a discipline separate from philosophy, history and law is to challenge the narrative of the study of politics and public administration in the twentieth century as one of scientific progress based on increasing empirical rigour and theoretical sophistication. Far from political studies and public administration providing us with better and better knowledge of given features of the world, they construct these very features through their deployment of a modernist empiricism committed to atomistic analysis. Instead of lauding Wallas, Herman Finer, and others for 'their search for pathways through the intimidating mass of historical and contemporary data', we might explore the ways in which modernist empiricism constructs such data through opening certain paths and closing others (p. 6). The putative advances in empirical rigour and theoretical sophistication can then be viewed against the background of the establishment of a particular account of the object and methods of the study of politics and public administration.

If the British approach to politics and public administration truly were characterized primarily by a commitment to agency, hostility to scientism and sensitivity to contingency, it would resemble the approach characteristic of the nineteenth century at least as much as that inspired by modernist empiricism. The contributors ignore the break associated with modernist empiricism, I believe, largely because they want to distance a British approach from a positivism they associate with American scholarship. Positivism stands here for a predilection for grand theories that claim universality and so are insensitive to agency, history and contingency. For positiv-

ists, natural science provides the model for a political science. Positivists argue that political science should eschew moral and philosophical theorizing and also the quagmires of interpreting subjective beliefs and actions. In many ways, therefore, positivism represents a parallel movement to modernist empiricism in its break with earlier concerns with character, reason and evolution. For positivists, however, political science should concentrate resolutely on framing and testing hypotheses in terms of objective data. Positive political theory should offer abstract hypotheses or models that are independent of such data and yet receive support from it. The search for general hypotheses and models means that positivists have little time for the quirks of the particular case – for agency, history and contingency.

In the first half of the twentieth century, modernist empiricism remained a nascent trend barely visible among the moralistic and evolutionary approaches rooted in the liberalism and idealism of the nineteenth century (Collini *et al.*, pp. 368–77; Harris 1992; Stapleton 1994). In the second half of the century, it has confronted positivist political science as a parallel departure from these moralistic and evolutionary approaches. So, while the 1950s and 1960s witnessed S.E. Finer, the younger brother of Hermann, and Bill Mackenzie, respectively, establish modernist empiricism in the Universities of Keele and Manchester, the 1960s and 1970s witnessed Jean Blondel and Richard Rose, respectively, bring a more positivist approach to the Universities of Essex and Strathclyde. The contrast with positivism thus became central to the self-definition of modernist empiricists. As Bogdanor, seemingly unaware of the historical basis of the contrast, tells us, 'if there is a central tendency to the discipline as it has developed in Britain in the twentieth century, it lies in aversion to positivism' (p. 150). Compared with a positivism associated with grand theories such as functionalism, modernist empiricism can seem almost traditional in its commitment to agency, hostility to scientism, and sensitivity to contingency.

Yet the contrast between modernist empiricism and positivism obscures as much as it reveals. It obscures the way in which both arose as part of the modernist break with Enlightenment and romantic theories; it obscures their shared origins in the dilemmas posed by things such as World War One for nineteenth-century notions of character, reason and progress. In addition, it obscures the way in which modernist empiricism has absorbed aspects of the positivist agenda. Although Hayward notes in passing that 'British political studies' has adopted 'in a piecemeal and incremental fashion many of the theoretical, quantitative and substantive concerns of American political scientists', he, as well as his fellow essayists, is inclined to set the two up as oppositional monoliths, rather than recognize their impact on each other's trajectory (p. 31).

One reason British students of politics and public administration can easily adopt positivist concerns lies in the parallel nature of their responses to the modernist break with nineteenth-century theories. Far from defining

modernist empiricism in contrast to positivism, therefore, we might highlight their similarity. In contrast to moralistic and evolutionary approaches, both postulate a value-free discipline with a discrete empirical domain. Neither of them attempts primarily to understand the political world by reconstructing it as a whole with a narrative form. Rather, in accord with an atomistic and analytical modernism, both of them tend to divide the political world into discrete units to be reassembled through comparison and classification leading to the discovery of correlations and regularities. No doubt modernist empiricists are more likely than positivists to move from the particular to the general, to immerse themselves in one state before going on to draw comparisons, and to highlight oddities within individual cases. Nonetheless, a modernist empiricist such as S.E. Finer clearly resembles the positivists in his belief in comparison across time and space as a means of uncovering regularities and probabilistic explanations to be tested against neutral evidence (Kavanagh 1997).

To define moderate empiricism in contrast to positivism is not only to obscure the nature of the former, it is also to neglect several other approaches to the study of politics and public administration that have appeared within the twentieth century. Positivism and modernist empiricism were not, of course, the only responses to the dilemmas thrown up in and around World War One. Another response was the social humanism that arose primarily as idealists grappled with a loss of faith in reason and the universal. Even as Michael Oakeshott, R.G. Collingwood, and later Crick and Quentin Skinner, moved away from objective idealism, they retained idealist themes and concerns. While history no longer straightforwardly exhibited a progressive or moral purpose, social humanists continued to approach the political as a product of intentional actions performed in the context of community. Far from purging the study of politics and public administration of values and a concern with intentionality, they saw these things as integral to such study. Thus, we find a far more profound commitment to agency, hostility to scientism, and sensitivity to history among social humanists than among modernist empiricists. This difference may explain why modernist empiricists dominate the study of public administration, pressure groups, and elections, while social humanists often turn to the history of political thought. It also may explain why the most powerful critiques of positivism have come not from modernist empiricists but from social humanists such as Crick and Oakeshott (Crick 1959; Oakeshott 1962). It may explain, finally, why similar critiques of positivism are found in the work of communitarians and others whom we might see as transforming idealism to meet the dilemmas of the twentieth century (MacIntyre 1981, Chapter 8; Taylor 1971; and for comment Bevir 1999a).

Rational choice theory can be seen as yet another response to the dilemmas thrown up in and around World War One – a response that arose primarily as a reworking of the Enlightenment tradition. Like utilitarianism and contractarianism, rational choice theory envisages isolated individuals

with clear preferences coming together to form a society with a distinct pattern of order. We can even trace a clear line of descent from Bentham through Jevons's theorizing of marginal utility to the economists who brought rational choice theory to the study of politics in the 1950s. However, rational choice theorists, in accord with the modernist break with earlier forms of thinking, rarely share the Benthamite equation of individual rationality with character and social progress. Rational choice theorists are often preoccupied instead with things such as the implications of our having imperfect information or the dangers of free-riding leading to an insufficient provision of non-excludable goods.

There are other approaches as well. For example, Anglo-Marxism arose in part out of a republicanism already transformed by the impact of Enlightenment and romantic theories, and it long contained competing strands that reflected these diverse traditions as they were modified in response to later dilemmas (Bevir 2000; Kenny 2000). However, instead of continuing to draw an ever-more complex picture, we might simply reiterate that if we define a British approach to politics and public administration in contrast to American positivism, then we obscure the diversity and development of the various traditions found within Britain.

To point to a variety of overlapping and competing traditions of political and administrative enquiry in Britain is to go some way towards endorsing the narrative of the study of politics in the twentieth century as one of competing idioms (Bevir and Rhodes 1998). However, an appeal to traditions rather than idioms has significance. When Christopher Hood refers to 'frequent changes of idiom' in the study of public administration, he seems to imply that each idiom provides a different orientation to facts that are in some sense given outside of the way we talk about them (p. 309). Surely we should say the same, moreover, of Haywood's evocation of MacKenzie's belief that 'in describing and explaining politics we carry a bag of different intellectual tools, using each tool for its own job' such that 'methodology comes after practice not before it' (p. 33). The clear implication is that there are given facts to which we should bring the appropriate tools, or given facts that require us to adopt a practice upon which we then can reflect. Hayward, Hood and Mackenzie thus evoke a modernist empiricism in that they at least tacitly appeal to atomized facts to be grasped and collected using analytical techniques such as classification. Modernist empiricism encourages a view of different approaches to the study of politics and public administration as debating the correct language of classification, or the correct tools, with which to cover a given empirical domain. Bogdanor explicitly suggests that because 'political science is, of course, a young discipline', 'its successes so far lie less in the development of laws or of a body of settled doctrine than in conceptual analysis and classification' (p. 164). In contrast, an appeal to traditions suggests that methodology and practice necessarily go along together in broader webs of belief. It suggests that we should think not of a given empirical domain,

but rather of the facts being constructed differently within each of the approaches.

If we describe the British approach to the study of politics and public administration in terms of a commitment to agency, hostility to scientism, and sensitivity to contingency, we misleadingly collapse quite different approaches into one monolith. In particular, we neglect the way in which modernist empiricism marks a discontinuity with nineteenth-century approaches to the study of politics. While several of the essays show some awareness of this discontinuity, they explain it in a way we are yet to consider: they offer us a narrative of professionalization. Hood, for example, evokes, while only partially endorsing, a 'phoenix interpretation' of public administration, according to which the discipline has grown in 'professional rigour' thereby becoming more specialized, more methodologically sophisticated, and less orientated towards practitioners (p. 296).

The process of professionalization dominates, in particular, Barry's essay on 'The Study of Politics as a Vocation'. Barry begins by noting that the other essays are 'for the most part quite non-contextual', by which he means that they tell us 'a lot about the product but not much about the producers' (p. 425). He then asks questions about the producers as a professional body: 'How many of them were there at any given time? How were they distributed among institutions of different kinds? Did they look to audiences and associates to academic colleagues or to groups outside academia? How were they trained? How did they get appointed and promoted? What was a typical career pattern?' (p. 425). As Barry recognizes, he explores 'the sociology of the professions' – he traces 'the implications of professionalisation for the way in which politics is studied' (pp. 426 and 427).

The profession exhibited a low level of organization prior to 1950. Barry points here to the numbers involved: the number of university teachers in 1964 was equal to that of university students in 1900, while in 1950 there were not many more than a hundred scholars teaching politics as compared to somewhere in the order of two thousand today. Yet 'the most striking feature' of the profession prior to 1950 is 'its very weak tendency to disciplinary boundary-maintenance' (p. 429). Economics and philosophy had developed core sets of techniques and doctrines, which, even if they remained disputable, united these disciplines in that scholars were expected to have mastered them prior to engaging in writing and teaching. The study of politics and public administration had no analogous, intellectual core. At Oxford, many of the Fellows who taught politics had neither an undergraduate nor graduate qualification in the subject. There was a pervasive 'amateurishness' (p. 433).

According to Barry, the enormous increase in the numbers of students, teachers and universities since 1950 has not only marginalized Oxbridge,

but also been associated 'in a complex way' with 'the growth of professionalization' (p. 434). The Political Studies Association (PSA) has taken on many of the functions typical of a professional body. As well as running an annual conference and several journals, the PSA sponsors sub-groups, some of which organize conferences and meetings, and it also engages actively with funding bodies relevant to the discipline. Similarly, as Hood points out, the number of Professors of Public Administration in London alone in 1997 equalled that across the whole of Britain 50 years earlier, and this growth has been accompanied by an explosion of journals devoted to public policy and administration. More important still, according to Barry, has been the strengthening of disciplinary boundaries through new patterns of recruitment, appointment and promotion. Whereas doctorates used to be treated by many with suspicion, they are now effectively required for entry into the profession. The process of appointment has become increasingly bureaucratic in a way Barry associates with a measure of public accountability. An applicant's list of publications has probably become the most important factor in both appointment and promotions.

Barry explains the changes in the profession by reference to the increase in size. 'The previous cosy arrangements broke down both practically and normatively', he says, 'as the number of universities grew, the number of jobs and the number of candidates increased, and the candidates came from an increasingly large and heterogeneous set of institutions' (p. 439). The Research Assessment Exercise thus merely accelerated a process that had begun earlier, for 'a committee charged with appointments or promotions wishing to act in a way that is publicly defensible is virtually driven to giving a dominant role to publication' (p. 439). A similar logic, Barry suggests, helps to explain publications being addressed increasingly towards academic audiences, the expansion of occasions to present scholarly papers, the growth of international research networks, and the struggle to obtain funding.

The world of political studies and public administration no longer exhibits an amateurish culture. It is a profession governed by its own internal norms and procedures and represented by its own associations. Barry implies that this process explains the shift from a nineteenth-century approach to political studies to what we have called modernist empiricism. The shift has occurred because professionalization has resulted in a discipline that is more theoretically elaborate, technically sophisticated, specialized or fragmented, and international in outlook and orientation. The growth of numbers and coherence has created scholarly accumulation and perhaps even 'an active research community engaged in testing and refining theories about their subject matter in a way that could not have characterized any area of the discipline in 1950' (p. 444). The resulting specialization has produced fragmentation because the centrifugal tendencies have not been constrained by a shared core of doctrine or technique. Professionalization and fragmentation, moreover, clearly could explain why

the essays deal with atomistic topics such as pressure groups rather than recounting developments and debates in a tradition of scholarship committed to agency, hostile to grand theory, and sensitive to history.

Even if we allow some validity to the narrative of professionalization, we still can indicate how extensively it embodies modernist empiricism. For a start, the story of the profession becomes detached from any larger narrative, let alone evolutionary progress conceived in terms of the development of moral character and reason. A commitment to the separation of fact and value serves to insulate the intellectual advances associated with specialization and rigour from any implication of moral improvement in the profession or society at large.

In addition, the profession stands as an atomized unit to be studied empirically. It is an object that we can come to know through comparisons and classifications that point us to correlations and regularities. Having isolated the profession as an object of study, Barry opens his essay by saying, 'in seeking a point of entry into our inquiry, we cannot do better than to pay attention to numbers' (p. 426). Quantitative data thus opens the door to a classification of changes in the study of politics as an instance of professionalization, and this classification then inspires hypotheses associated with regularities across such processes of professionalization. Hence, Barry proceeds to the body of his essay by way of a decontextualized generalization, 'my hypothesis is that numbers make a difference' so that 'a discipline with a hundred or so members must behave in a different way from one with over a thousand' (p. 427).

Finally, the debt owed to modernist empiricism by the narrative of professionalization appears in the latter's uneasy relationship to an opposition to grand theory, commitment to agency and sensitivity to history. Barry's essay appears to rely on something very like a theory of professionalization; a theory, moreover, that relies on direct causal chains between growth in numbers and patterns of organization with little room for contingency, history, meaning or agency. He asks how the 'distinctive ethos' of the first half of the century 'may have been caused' by 'the phenomena of small numbers' (p. 428). We can read-off the story he tells, it seems, from objective, numerical data, so that there is little, if any, need to explore a contingent historical process in which students of politics and public administration appear as agents writing and acting in accord with their particular beliefs.

The argument that professionalization has brought greater specialization and rigour to the study of politics and public administration in Britain raises a potential problem for those who make it. The American academy, with its greater positivism, appears more professional and specialized than the British. In so far as a narrative of professionalization implies that the

study of politics and public administration has advanced through specialization and rigour, therefore, it is difficult to reconcile this narrative with a defence of British modernist empiricism against American positivism. One possible resolution of this problem would be to insist that specialization and rigour have only a limited value in the study of politics and public administration, but it would be a neat trick indeed to draw the line precisely where modernist empiricism falls between the interpretative and positivist alternatives.

Richardson hints at an alternative resolution of this problem. He proposes that British studies of parties and pressure groups have had only a modest impact because they focus on activities and office-holding rather than power (pp. 121–2). Power thus appears as the central phenomena within the empirical domain explored in the study of politics and public administration. However, if power has this role, it seems strange to find so little attention paid in these essays to the ways in which power has influenced the discipline. So, although Barry locates the study of politics in a context, this involves comparing it with regularities across instances of professionalization; it does not relate changes in the profession to a narrative about the shifting forms of power at play in British society or the changing nature of the British state.

We would benefit from locating the profession in these later contexts. Various approaches to the study of politics and public administration co-exist in Britain, including modernist empiricism, behaviouralism, social humanism and rational choice theory. The proponents of these approaches are engaged in an ideational struggle that takes place in a social and institutional context influenced by the state. Hence, instead of treating the discipline as an autonomous professional space for the study of power, we might explore how it has been influenced by, and also influenced, power and the state. Anglo-Foucauldians have touched on such issues, although, as with Foucault, they sometimes appear to evoke power as an almost occult force that works through subjects who thus appear to lack a capacity for agency (Barry, Osborne and Rose 1996; Osborne 1994; Rose 1993; and for comment Bevir 1999b). We might account for the interpenetration of the discipline and power, however, in a way that allows for agency. On one hand, the state has helped define the discipline through the provision of incentives – such as research grants with specific criteria attached – the impact of higher education policy – including the expansion of particular disciplines or universities – and the defining of a set of significant problems through its access to the media. On the other, students of politics and public administration have helped create new bodies of knowledge upon which the state has been able to draw to develop, extend and transform its activities. They have constructed and investigated various objects through extensions of the modernist empiricist techniques of quantification, comparison, classification and the search for regularities.

The moralistic and evolutionary approaches to politics and public admin-

istration that dominated the late nineteenth century reflected a complacent belief in Britain's place at the forefront of a natural, rational progress. Yet it was at this time that social investigators, including Charles Booth, Henry Mayhew and Seebhom Rowntree, developed techniques to investigate the lives of the poor (Englander and O'Day 1995; and Kershaw 1993). As Miller explains, 'the material condition of the poor was researched by increasingly scientific methods – but not their political opinions' (p. 224). Miller's appeal to science encourages us to gloss as unproblematic the sudden appearance of these investigations. We might then explain the failure to extend the methods to the political, as does Miller, by saying that public opinion held little interest for researchers until Britain became significantly democratic.

Perhaps, however, we should be wary of an implicit appeal to a set of neutral scientific techniques. Far from neutrally recording the actions of the poor, Victorian researchers constructed the poor as a passive category with measurable attributes. The poor became objects, rather than agents who inherit, transform and invent the varied beliefs, strategies and practices by which they make their own lives. Victorian researchers approached the poor in this way because they were missionaries on behalf of character, reason and morality. They measured the condition of the poor in order to define and prompt the action the middle classes or the state needed to undertake to spread civilization to the poor. Soon the middle classes and the state began to intrude on people's lives as never before, whether as charity visitors, welfare officers or home and workplace inspectors. The study of public opinion, in contrast, simply did not serve the missionary goal of spreading civilization.

The rupture associated with modernist empiricism undermined the moralistic basis of this missionary activity. As fact and value became forced apart, so the notion of behaviour replaced that of character. While social investigators still treated people as passive objects, they increasingly turned their attention from social conditions and character to private opinions and behaviour; the individual appeared as a site of needs, desires and attitudes, rather than of upright or lax morals. Likewise, while the state still attempted to reform moral character, the emphasis increasingly shifted to the control of behaviour, particularly after World War Two. The study of public opinion appears here as a type of knowledge that encouraged parties and the state to objectify, and so attempt to master, the political activity of its citizens. In 1966, official census data began to be published by parliamentary constituency, thereby facilitating the formation of correlations between voting behaviour and class, age, gender or region. The study of public opinion thus joined registers of births, deaths and marriages, and social surveys as a means of knowing, and so governing, people. Before long, moreover, the decline of the missionary aspect of social surveys, together with a growing prosperity, saw the concern to transform the character of labourers and others being supplanted by an interest in identifying their desires. Attempts to define the minimum consumption necessary for moral charac-

ter gave way to market research into wants that might be met by commercial products.

The objectification of opinion and behaviour characteristically acted as a prelude to their governance. As the state thus permeated new areas of civil society and private life, it sought to tame not only its subjects but also its own policies. It sought to monitor its own impact upon education, employment, health and housing. As the state expanded its activities, politics and administration became continuous social processes located at the intersection of state and society. The changing role of the state thus overlapped with the emergence of studies of policy and implementation. Mackenzie tellingly inaugurated the study of pressure groups in Britain by arguing that party programmes mattered less than the continuing process of adjusting policies (Mackenzie 1955; and also Rhodes 1988; Richardson and Jordan 1979; and Rose 1980). Before long, students of politics began to open up the Westminster model of British government – a model that depicted a unitary state characterized by parliamentary sovereignty, party control, accountability through elections and a neutral bureaucracy – in order to explore the policy networks and policy communities they associated with the differentiated or sectorized functions of a now fragmented executive (Marsh and Rhodes 1992; Marsh 1998; Richardson and Jordan 1979; and Wilks and Wright 1987). In doing so, moreover, they began to objectify state functions and activities, thereby encouraging the state to adopt new techniques with which to master its interaction with society. They analysed, compared and classified networks in an attempt to identify patterns and regularities that could improve the state's management of them.

The constant extension of the state's knowledge and activity led to fears of state-overload, bureaucracy and inefficiency (King 1975). These fears then provided part of the rationale for public choice theory and, more significantly, a new public management. The state increasingly struggled to objectify, monitor and control not only its impact on society but also its internal procedures. It began to rely on financial management and competition to secure accountability, and on regulation to ensure that competition worked appropriately. When the New Right deregulated and privatized functions of the state, it characteristically used techniques such as auditing and contract to know and also to master the agencies that took the place of the state. Likewise, New Labour deploys the state to enable individuals and organizations to take active responsibility for themselves, and thus defines appropriate forms of responsible action and also monitors and responds to outcomes. In both cases, while individuals appear as agents already or potentially responsible for their own position, the state still promotes a particular concept of responsibility by giving them skills and opportunities to find employment, to protect their health or to provide for their future. When students of politics explore these developments, they describe the emergence of new patterns of governance associated with, say, self-governing and inter-organizational structures. In doing so, moreover,

they objectify these structures, ascribing specific characteristics to them, and thereby encouraging the state to steer them by adopting techniques such as negotiation and an indirect style of management based on trust (Ferlie and Pettigrew 1996; Hindmoor 1998; Rhodes 1997, Chapter 3; Stoker 1999).

To recognize the mutual influence between the state and the study of politics and public administration is to unsettle the narrative of professionalization during which increased numbers and tighter boundary definitions have promoted specialization and rigour. The emergence of new techniques and topics within the discipline appears less as a part of professional specialization and more as a contribution and response to changing forms of state power. Instead of thinking of students of politics and public administration as devising rigorous techniques for studying increasingly specific aspects of the state, we might examine the ways in which they have participated in the construction of new forms of state power by objectifying phenomena. No doubt we cannot avoid objectification; no doubt it is part of any attempt to form concepts and categories, to comprehend and anticipate events, and so to act in the world. What matters here, however, is that we recognize that the way we set about objectifying the world embodies an ethical moment. In formulating concepts or categories, students of politics and public administration choose, albeit implicitly, whether to treat individuals as, say, passive objects, rational entrepreneurs, or responsible citizens. Even if people argued that how we treat the individual should depend on a factual or scientific account of the nature of human beings, they would show only how profoundly the study of politics and ethics interact, for ethics concerns how we ought to treat others given the facts we know about them. The narrative of professionalization ignores such ethical choices because its modernist empiricism deploys atomization and analysis to sustain an otherwise impracticable dichotomy of fact and value. It hides the ethical moment in the study of politics and public administration by isolating the discipline from its interaction with state power and so ignoring the impact of our objectifications upon the world.

The narrative of the study of politics and public administration in the twentieth century need not be an internal one of intellectual progress, competing idioms or professionalization. Instead, we should identify broader intellectual traditions that inform competing views of the political and how to study it, and we should relate developments in these traditions to broader social and political changes. By doing so, we challenge the celebration of modernist empiricism, and even begin to argue for its transformation or rejection.

The modernist empiricism that dominates the British study of politics and public administration has few resources with which to accommodate our account of such studies in the twentieth century. Because it postulates

an empirical world that is a given and prior to theory, it struggles to comprehend how changing theoretical commitments gave rise to the political as a discrete object of study. Because it presumes the empirical world to be a given, it struggles to grasp how competing traditions actively construct different facts as opposed to merely providing different accounts of the facts. Because it insists on a rigid dichotomy between fact and value, it struggles to understand the way in which our views of the individual prompt objectifications of aspects of the social and so interact with the rise of new forms of state power.

Surely, therefore, we should leave modernist empiricism behind even if we are not sure what will take its place. In leaving it behind, we might locate objects in their theoretical or narrative contexts instead of atomizing them. We might modify empiricism to allow for the role of tradition. We might treat individuals as agents with beliefs and desires of their own rather than objectifying them with respect to either a social category or a prior notion of economic rationality. If we did all of these things, we might even find that we really exhibit a commitment to agency, hostility to scientism and sensitivity to the particular.

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I thank Shannon Stimson for her helpful comments. All references by page number alone are to Jack Hayward, Brian Barry and Archie Brown (eds), *The British Study of Politics in the Twentieth Century* (Oxford: Oxford University Press, 1999). This volume contains essays by Jack Hayward on the emergence of political studies in the first half of the century, Paul Kelly on the history of political thought, Noël O'Sullivan on political philosophy, Alan Ryan on social theory, Rodney Barker on pluralism, Vernon Bogdanor on comparative politics, Jeremy Richardson on pressure groups and parties, William Miller on electoral systems and public opinion, Geoffrey Marshall on British political institutions, Christopher Hood on public administration, Charles King on nations and nationalism, Archie Brown on totalitarianism, Tim Dunne on international relations, and Brian Barry on the sociology of the profession.

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REPLY TO MARK BEVIR: 'PRISONERS OF PROFESSIONALISM'

JACK HAYWARD

Frankly, I do not think this polemic merits a long reply because so much of it is wide of the mark. While Bevir propounds his dissatisfaction with much of contemporary political science, his comments on the book he purports to be reviewing misrepresent its content. While readers of *The British Study of Politics in the Twentieth Century* can be left to verify this for themselves, those who do not do so would be unwise to derive their view of its approach from what Bevir demonizes as 'modernist empiricism'.

Bevir claims that the authors adopt a monolithic conception of British political studies but he is confusing the attempt to produce an integrated but comprehensive book with unity of view. The omission of any reference to the chapters of Rodney Barker on pluralism, O'Sullivan on the response to totalitarianism and Charles King on nationalism, which fit even less well than the other essays into the strait jacket he has devised, reflects the arbitrary indulgence in lumping together a diversity of views. Bevir's constructivist preoccupation encourages him to impute a shared attempt 'to legitimate and advocate a restricted agenda for future research' which any fair-minded reader will find hard to discern and is implausible given the range of authors concerned. But in the dark all cats look black. Writing in terms of narratives seems to have led Bevir into an inability to distinguish fact from political science fiction.

Bevir wishes to emphasize a discontinuity between the past and present British study of politics. He does not consider the argument, presented at length in the introductory chapter, that a diffuse but pervasive Whig tradition has remained a powerful normative influence on the distinctive British approach. If he finds the evidence presented unconvincing, he should have offered his reasons for doing so rather than relying upon unsubstantiated assertions. Not content to treat the contributors to the volume as collective advocates of modernist empiricism, he includes their forerunners such as Sammy Finer at having led the way. Is it likely that someone who devoted the last 11 years of his life to writing *The History of Government from the Earliest Times* (reviewed in this journal by Hugh Berrington) can have his work reduced to 'modernist empiricism'? The grotesque misrepresentation of what Finer stood for is part and parcel of the oversimplifications that Bevir purveys. The historical dimension – not just in the history of ideas – remained very present in British political studies, despite the specialization and professionalization that has affected not only politics but history, law and philosophy, sociology and economics, with all of which it retains strong ties as the prefix political (constitutional and public in the case of law) attached to them suggests.

Bevir denies that there is any significant difference between positivist American political scientism and his own concoction, British modernist

empiricism. Can one imagine any mainstream American political scientist writing a work similar to the above-mentioned book by Finer? Bevir also reproaches *The British Study* for not paying sufficient attention to approaches such as rational choice. Had he consulted the index, he would have seen that there are quite a large number of references to rational choice theory in the book. Unlike the US, where in some quarters an intellectual reign of terror is underway, rational choice has made little impact in sceptical Britain, helping to exemplify precisely the difference that Bevir is so concerned to reject.

Bevir concludes with the pathetic plea: 'Surely, therefore, we should leave modernist empiricism behind even if we are not sure what will take its place'. His agenda seems to be: back to an earlier moralizing past, attributing a spurious collective adherence to a 'value - free discipline' by the authors of *The British Study* and by those they have studied. Following such a counsel of despair, while rubbishing most of the work of the immediately preceding and current generation of political scientists, will doubtless not commend itself widely. Meanwhile, readers of this journal may find in Chris Hood's chapter on 'British Public Administration: Dodo, Phoenix or Chameleon?' a more stimulating source of reflection, than Bevir's rather tangential assessment of *The British Study of Politics in the Twentieth Century*.

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PARADIGM POLITICS

HUGH T. MILLER

Mark Bevir's piece is wide of the mark, says Jack Hayward. I disagree. Rather than acknowledge the merits of Bevir's arguments about British modernist empiricism, Hayward makes charges about 'unsubstantiated assertions'. I am not fond of the practice of using *dismissal* as a substitute for argument, and so Hayward's prickly little retort (he seems to think of it as a short and sharp reply) is not to my liking.

This seems not to be Hayward's usual style. His chapter in the book (Hayward, Barry and Brown, 1999), titled 'British Approach to Politics: The Dawn of a Self-Deprecating Discipline' was a thoughtful, wise essay. This chapter was certainly more satisfying than the essay that appears here in this issue. Hayward writes beautifully – as do many of the authors in the collection – and his was a magnificent way of launching the book. The first chapter both engages the reader and brings the relevant questions to the fore. Hayward manages to articulate important themes of the twentieth century, while also drawing the reader's attention to the differences between *political studies* at the beginning of the century and *political science* at its end. Throughout, there was a refreshing absence of the narrow behav-

orist-positivist dogmatism that I (at least) frequently find in American public administration and political science. The absence of canon was the tone set by Hayward in the opening chapter, and intellectually open thoughtfulness dominated the mood throughout the book.

But now comes Mark Bevir, who says that modernist empiricism is the theme of the century, and that none of the essayists are giving this theme its due. This was a startling thesis, yet one that resonates. He believes that British political study and the study of public administration are inspired by modernist empiricism in ways that are not fully acknowledged. There is an unrecognized debt, he says. 'Contributor after contributor thus lines up to define a British approach to the study of politics and public administration in terms of a commitment to agency, a hostility to scientism and grand theory, and a sensitivity to contingency, history, and the particular', Bevir writes.

I myself did not discern such commitments in contributor after contributor. Nor did Hayward, obviously. Hayward does not like the way Bevir gathered in many strains of British political thought under the label modernist empiricism because Bevir makes it seem that there is a unity of view among the essayists when there most assuredly is not. Hayward wins a point here, but one not need thereby discard Bevir's well-considered thesis. Bevir notes that there is an important narrative about the study of politics and public administration that tells a story of scientific progress and increasing empirical rigour and theoretical sophistication. And this narrative has been ignored in the volume in question, he claims.

There is nothing malevolent or remarkable or particularly wrong-headed about this category called modernist empiricism. The editors of *The British Study of Politics in the Twentieth Century* have little to complain about, since they parse British political science into denominations of 100. Unless one is a numerologist, what possible meaning could 'twentieth century' have as a political science category? Bevir's category is certainly better.

Bevir's challenge to the categories and themes of the book raised this question in my mind: how, then, shall we parse the study of politics and public administration? The ability to discern difference is, in many ways, the mark of the well-trained eye. A novitiate cannot possibly make the same discernments as a seasoned veteran. And yet . . . it is possible to focus so much on difference that similarity is neglected or denied. All cats may look black in the dark, but genetically speaking – since their DNA is 99 per cent the same – all cats are alike. Genetically, neither fur colour nor daylight impart very much distinctiveness to cats. In this book of essays, many differences are illuminated – but is an underlying similarity therefore masked? Has everyone failed to appreciate the extent to which modernist empiricism has shaped British political studies? On one level we realize that empirical manifestation of category difference may not carry the most meaning. Perhaps we all know this, but we often tailor our arguments as if observables were trump in the game of Truth. Hence, Bevir may have a point here.

The most familiar habits are often the least examined. Recall Herbert Spencer (mentioned by Hayward): Spencer was someone who could detect genetic differences in 'fitness' between the privileged and the unprivileged. Wealth and power were signs of inherent fitness, and poverty was evidence of natural inferiority. Spencer's 'survival of the fittest' theory was used in Britain and in the United States to justify racist policies, unrestrained economic competition, and as an argument against aid to the poor. Hayward offered his interpretation as to why neo-Spencerians decline to invoke the name Spencer:

After going into a prolonged period of decline, his [Spencer's] reputation deserved a revival in the 1980's when, in the guise of Thatcherism, many of his precepts were propounded as the new gospel. However, the main reason that his latter day disciples did not acknowledge the origins of their dogmas was that they were now self-evident commonplaces divorced from their progenitor. (p. 9)

One wonders what kind of society is Britain, if, as Hayward says, Spencer's ideas are so interwoven into the culture that they are not recognizable as Spencer's. But the point I am making, really, is this: empiricism may also be so interwoven into the everyday thinking of British culture that it goes unacknowledged.

The title of the book employs British as a category for studying politics, but Bevir expressed scepticism that there is a distinctive British approach to the subject. Most authors did not convey a strong feeling that the category British was a meaningful approach to the study of politics, yet in a curious way this category regularly found its way into the discussion. Hayward, who in his chapter title proffered the psychological condition 'self-deprecating' to describe the British study of politics, now finds himself unable to imagine a book such as Finer's being written by an American. Alan Ryan, after assuring himself that ideas migrate TO the United States and Canada, concluded his essay by noting that 'these ideas are now not distinctively British or American, but part of the intellectual and political resources of a community . . .' (p. 116). At the same time, there are of course differences in the way that the study of politics – pluralism for example – is conducted in America versus Britain, as Rodney Barker noted without a hint of haughtiness.

As for parsing the study of politics, Isaiah Berlin (2000, p. 58) lumped together 'the anticlerical and "antimystical" empiricists, materialists, and rationalists of the Anglo-French philosophical and scientific tradition'. When Bevir calls this bunch 'modern empiricists' he loses the splendid turn of phrase that was Berlin's, but he cuts to the chase nonetheless.

Should Bevir eventually emerge as essentially correct about modernist empiricism, Hayward is also quite right to claim that there is no 'unity of view' in this comprehensive book. And, too, Bevir's concern that the book's essays 'serve to legitimate and advocate a restricted agenda for future

'research' is a bit far fetched. I can see where Hayward would be annoyed with Bevir's style of argumentation. One could just as easily make the claim that these essays enable an expanded agenda for future research by articulating the structure of a discourse. Noel O'Sullivan, in the chapter titled 'Visions of Freedom: the Response to Totalitarianism' expresses the general logic this way: '[M]uch contractual law does not curtail the activity to which it relates, but simply makes that activity possible' (p. 70). Structural categories that seem in one instance to be *limitations* may simultaneously be structural *enablers*. Once needs viable categories to have any conversation at all.

O'Sullivan's Chapter 3, contrasting Popper, Berlin, Hayek and Oakeshott, was my favourite in the book because of its sensitivity to contemporary intellectual tendencies and its theoretical depth. Of course, everyone is entitled to his or her own preferences. Hayward recommended Chapter 10 'British Public Administration: Dodo, Phoenix or Chameleon'. I agree with Hayward that it is well worth reading, but the reader should not expect Christopher Hood's writing to serve as ammunition to be used against Bevir. Hood is very much interested in facts, as they support one interpretation or another. Anyone who has marched through the 2 × 2 tables with him (in *The Art of the State*) knows that Hood can chop categories as well as any positivist. Moreover, he concludes his book chapter by saying that '*unless we choose to use non- or even anti-scientific criteria for the assessment of progress or decline*, British PA over the twentieth century looks more like a phoenix or a chameleon than a dodo' (emphasis added). This sounds like a tacit if not explicit endorsement of modern empiricism to me. And so what? Well, Bevir wants it to be acknowledged that an underlying modernist empiricism undermines the view of politics and public administration as *historical processes*.

Historical processes notwithstanding, Bevir concludes 'we should leave the modernist empiricism behind'. This was a most astonishing, ahistorical prescription. Bevir, in wanting to walk away from the powerful force he refused to let us forget, fails to appreciate what it means to owe a debt to modernist empiricism. This debt cannot be evaded so easily as to simply leave it behind. Modernist empiricism, were Bevir correct in his original argument, would not release its grip on the study of politics just because an academic sub-group of professional navel-gazers will it thus. (How bad is having data, anyway? Here is a factoid: Number of women authors in the Hayward, Barry and Brown anthology = 0).

Lastly, I would note that if Bevir gets his way, British political science will continue to legitimate a research agenda whose foundation is the last holdover of the modernist, empiricist era: the autonomous, liberal-humanist subject. This is the same weakness that O'Sullivan ascribed to Berlin, 'the tendency to see the political entirely from the moral standpoint of the individual' (p. 72).

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ADDITIONAL COMMENTS ON MODERNIST EMPIRICISM

MARK BEVIR

I evoked modernist empiricism to capture the dominant tradition of political studies in Britain. Its dominance does not mean every contributor to the *The British Study of Politics* is committed to it. Nonetheless, in reply to Professors Haywood and Miller, I want to say a little more about it.

One question is: what is the relationship of modernist empiricism to the Whig tradition? As a nominalist, I believe generalizations in the history of ideas fluctuate between similarities and differences depending on their purpose. If we focus on method and the logic of inquiry, we should see modernist empiricism as constituting a break with earlier forms of political studies. Yet if we focus on objects of inquiry, we might stress the persistence of Whig themes, since modernist empiricists often used an atomistic and analytical method to explore long-standing topics, including British exceptionalism and others associated with the Westminster model. Even here, however, we should recognize how the tension between the new, modernist logic and the old, Whig objects of inquiry, helps to explain the rise of new objects of inquiry such as electoral behaviour, policy networks and governance, all of which had little place in the nineteenth-century study of politics.

Another question is: what role does history play within modernist empiricism? Nineteenth-century theorists generally evoked history to postulate the beliefs, reason or character by which they interpreted the political. When modernist empiricists, such as S.E. Finer, turn to history, they are as likely to evoke social and institutional regularities and typologies as they are to interpret meanings. Hence, the very way they deploy history instantiates the break between modernist empiricism and earlier forms of the study of politics. If we focus on this break, we will highlight the similarities between modernist empiricism and positivism. Yet if we focus on their respective uses of history, we will make more of the differences between them (which I clearly signposted) since positivists often eschew history altogether. Even here, however, we should recognize that history plays a different role in modernist empiricism from that which it generally played in the nineteenth century.

A final question is: should we, if we can, renounce modernist empiricism? Although modernist empiricism provides a set of categories that enable a conversation, the woefully inadequate nature of the categories suggests we should leave them behind. To do so, we need not make an astonishing leap out of our historical location because we have before us several other traditions, including social humanism, which incorporate alternative categories. We contemporary social humanists remain interpretive theorists who typically contextualize rather than setting out to seek regularities or typologies. Yet a strong commitment to nominalism leaves us little room for elder moralizing ideas of reason, national character and progress. Instead, we want decentred studies that recognize the place of dispersal, difference and discontinuity within the political.

The linguistic turn has dramatically influenced philosophy, history and sociology, but it has scarcely touched political studies. The linguistic turn embodies a belief that we can distinguish fact from fiction only within theoretical contexts. If this is so, we might expect Haywood, with his very different narrative, to complain that I confuse fact and fiction. In reply, I would say modernist empiricism frequently relies on a fiction of atomistic facts.

THE HISTORY OF GOVERNMENT FROM THE EARLIEST TIMES (VOLS 1 TO 3)

S.E. Finer

Oxford University Press, 1997. 1701 pp. £40.00, £20.00 (paper) per volume

If Sammy Finer had not existed, it would have been necessary to invent him. It is hard to think of any other scholar of his generation who could have conceived of *The History of Government*, or carried it through with such panache to near conclusion. Despite a rebuff from the old SSRC, Finer, with irrepressible exuberance, began in his retirement the book which was meant to be the culmination of his life's work. He died, 11 years later, with all but two of the substantive chapters completed. Catherine Jones Finer, his widow, and Jack Hayward, a one-time colleague, have edited the book for publication, a task which included putting into shape the extensive notes Sammy Finer kept on the hard disk of his computer to make up a long introductory chapter, 'Conceptual prologue'.

In scope and scale, this book is a landmark; it is so rich in learning, so colourful in the tableaux it presents, that it almost defies review. These qualities, coupled with the zest with which it is written, make it, with rare exception, so lively to read, not the least because the personality of the man bubbles out so uninhibitedly. No one who knew the author can read, for example, the seemingly casual allusion to the Byzantine administrator, Basil the Bird, without picturing Sammy chuckling as he wrote it.

The History, he tells us in his 'Conceptual prologue', is not meant to be 'a simple chronological account of the different ways in which men have been governed. It is an exercise in comparative government' (p. 34) albeit carried out across time. Finer loved typologies, and his vast subject matter gives him full scope. He identifies four main types of regime. Palace, Forum, Nobility and Church (pp. 37–51). The Palace type, which, historically speaking, is the most common form of regime, is one 'wherein supreme decision-making rests with one individual' (p. 38). Its antithesis is the the Forum type, one where 'the government must be accountable to the people who have conferred on it the right to govern' (p. 43). The two remaining types are rarely found in their pure form but often, combined with either the Palace or Forum, are represented by hybrid cases. The Nobility regime embodies the rule of a class whose members derive their right from lineage. The pure Church polity is found even less often and is represented only by Tibet and Vatican City.

Not surprisingly, regimes do not always fall neatly into one of these four main categories and hybrids embodying a combination of two of the four basic types are not uncommon. Thus the European Middle Ages see the emergence of the Palace/Nobility type, England providing the most balanced example. Likewise, the Early Middle Ages in Europe saw the development of the Church/Palace polity. Of special importance to students of the twentieth century is the Palace/Forum type, one of whose variants is the twentieth century totalitarian state.

Finer's journey begins with the Sumerian city states, which first appear about 3500 BC, and continues with the kingdom of Egypt which arose more than 500 years later, then the Assyrian ('this unpleasant state', p. 89) and Persian empires, before introducing us to the Jewish Kingdoms. The Greek city states, the Roman Republic and the Roman Empire all follow. These polities fill up most of the first volume, 'Ancient Monarchies and Empires'.

The second volume, 'The Intermediate Ages', follows on from the collapse of the Roman Empire in the west, takes stock of the rise of Islam, and examines the growth of Feudal Europe; the third, 'Empires, Monarchs and the Modern State', focuses mostly on the absolute monarchies of Europe and the rise of representative government in Europe and North America.

One continuing motif is to be found in the contrast between the instability of the Palace, and the continuity of its administration. 'The surviving histories of Palace-polities... are almost entirely concerned with personal relationships, with feud, faction and intrigue. This is what makes them so entertaining, so dramatic. It also makes them very misleading. We have to distinguish, then, between the inter-personal relationships in the Palace – what we may call

Palace-politics, and which are essentially pathological – and the orderly processes by which the Palace carried on the business of government' (p. 41).

The essence of Palace-politics lies in conflict about the succession, and in particular, the lack of an unambiguous, universally accepted rule to determine who rightly possesses the crown. In the Han empire of China, the succession was hereditary but without a rule of primogeniture. The emperor could nominate one of his sons as heir-apparent but '...in practice this was complicated by the fact of his having an enormous harem (p. 483)'. In Assyria, where the choice of monarch was concentrated in a particular family, the rule of primogeniture was never inflexible (p. 216). Finer notes the long reigns of many Persian sovereigns, but declares 'what is striking about the assassination of Persian monarchs is how frequent they are... (p. 310)'. In the Byzantine empire, which was 'almost the paradigm case of the Palace type (p. 628)... the acclamation of the troops raised many great emperors to the purple (p. 634)'. Of 65 emperors who reigned between 518 and 1204, 28 had usurped the throne. Taking a somewhat longer time span, of 107 emperors, only 34 died in their beds (p. 636). Most of the others either abdicated or died, not in war, but by such means as poison and strangulation. A similar problem beset the empire of the Caliphate, (632 AD to 945 AD), in Finer's words, the lack of any firm and clear tradition of caliphal legitimacy. 'What was a caliph? how could he be recognised? who was entitled to recognise him? (p. 674).' The Ottoman empire legitimized a practice often found elsewhere – the murder, after the accession of a new sultan, of likely claimants to the throne – embodied in the Law of Fratricide of Mehmet II (1451–81) which allowed a new sultan lawfully to put his brothers to death, a fate later commuted to imprisonment in a cage in the Topkapi Palace. Despite such precautions there were no fewer than 7 depositions in the empire between 1618 and 1730 (pp. 1180–1).

Two other features of the Palace type regimes are remarkable: the contrast between the apparent scope of the sovereign's powers, and the precariousness of his tenure, and the even bigger contrast between his formal authority, often unlimited, and the practical constraints circumscribing his powers. Whether he [the Ming emperors] commanded the bureaucracy, or it commanded him is precisely what Chinese palace politics was about (p. 848)'

Despite some similarity of result, the recruitment and training of the administrators showed big divergences. The pressing need of the monarch was to find administrators who were trustworthy, loyal, otherwise disinterested, and, of course, competent. But how was he to find them in the fevered world of court intrigue? Byzantium's '...enduring political cohesion', writes Finer, 'was due to its numerous, professional, and highly differentiated bureaucracy (p. 656)'. The Byzantines, while looking for 'literary and juristic skill and good general education' (p. 643) in most of their middle-ranking civil servants, relied for their immediate officials on the eunuchs, a class prominent in several other Palace polities. Indeed, Finer speaks of the central role in administration played by the eunuchs and refers to the 'outstanding fact' that up to 1204 the chief minister was with only one exception a eunuch (p. 641). Why were such men so favoured, and not only in Byzantium? It was the loyalty of the eunuchs which made them so valued as imperial servants. Elsewhere, Finer refers to Xenophon's insight that eunuchs were more faithful than other men (p. 301) as their affection was for their patron who could give them wealth, protection and high office; and, being despised by other men, they depended on him. Even under the T'ang dynasty in China which developed the open competitive examination as a mode of recruitment to the bureaucracy, the eunuchs reappeared as a major force: '...the emperors could look for loyal service to one source and one alone – their eunuchs. For eunuchs were absolutely and unconditionally loyal to the emperors (p. 788)'. Under the Ming, eunuch influence reached new heights (p. 827).

The secret of the Ottoman Empire's administration lay elsewhere. The highest ranking administrators were chosen from among those selected by periodic culls of the children of Christians in the European provinces. These children, taken from their parents, rigorously trained and brought up as Moslems, then went through three exacting stages of selection with the ablest at the third stage becoming the top civil servants of the empire. Those not recruited for the bureaucracy at this or earlier stages became Janissaries or went into the cavalry (pp. 1183–4). This method of selection must have ensured an administrative elite without loyalties

to clan or region. Not merely that, for these recruits were styled 'slaves to the sultan' and were totally dependent on him.

China's invention of the competitive examination began with the Han dynasty (202 BC to 220 AD), though few were recruited under this procedure. Under the T'ang (618 to 907 AD), however, the competitive examination became more important. Indeed, the T'ang bureaucracy was 'a genuine innovation in the history of government'. For scope, complexity, size, training and recruitment, it was 'without parallel . . . at that time', a 'magnificent triumph of organization and design (p. 757)'. Under the Sung, this form of recruitment accelerated; recurring tension between the Ming emperors (1368 to 1644 AD) and their officials saw the worst effects of such a policy, and emperors seeking to circumvent the stubborn bureaucracy resorted once more to the eunuchs as their administrative arm.

Divided and restrained in practice though they often were, the empires of the past emphasized the unity of authority, and the absolute nature of the king's or emperor's rule. It is to the ancient Hebrews that we owe the conception of limited monarchy which, through the medium of the early and medieval Church, became a doctrine that circumscribed the claims and powers of kings in the Western world. When the elders of Israel demanded that the Prophet Samuel grant them a king, the Lord, to whom Samuel turned, acquiesced without enthusiasm, with dire (and accurate) forecasts of the behaviour of such kings. Samuel therefore agreed to the people's demand, but with the proviso that the king should be bound by the Law. The Prophets set themselves up as a national opposition, denouncing kings who stretched their prerogatives and broke the Law. As Finer puts it, they 'addressed their audiences in public – impossible even to imagine in Egypt, or Assyria or Babylon (p. 266)'.

The notion of limited monarchy, inherited ultimately from the Hebrews, tended to blend with the tradition inspiring Finer's second main type, the Forum polity, where rulers were accountable to the governed (or, more strictly, to some of them). Athens represented the apogee of the Forum polities, but some of other Greek city states and the Roman Republic also belong to this type. Forum regimes in the Ancient World, or the Middle Ages in Europe, cannot be equated with modern Western democracies, for, with the arguable exception of some of the Greek city states, their franchise was usually restricted and the privileges of the nobility ensured that there were severe constraints on the popular will. Demands for constitutional change were usually met by the *ad hoc* creation of new institutions which overlap the old; as a result, the constitutions of such states are hard to digest. Perhaps the most demanding parts of the book are to be found in the chapter 'The Republican Alternative: Florence and Venice' where the labyrinthine complexity of the constitutional structures makes understanding a hard-won thing.

Forum regimes have an instability of their own, like the Palace polity they are characterized by conspiracy, faction and intrigue, but since rhetoric is their staple medium, they avoid the grosser violence of the former. Indeed, Finer goes out of his way to acquit Athens, and more generally, democracy, of the charges brought against them. Venice and medieval Florence, along with the Swiss cantons, afford later examples of Forum polities; Venice, even if ruled by a merchant oligarchy, kept the loyalty of the citizen body and introduced an early national health service. Finer has less to say about the administration, especially its recruitment, in these regimes than in the monarchies and empires.

The last five chapters 'Pathways to the Modern State', trace the transition to representative government, and examine the legacies of the American and French Revolutions, and the effects on government of industrialization. This section, though always engrossing in its content and stimulating in its judgements, remains unfinished. In particular, we lack discussion of the twentieth-century totalitarian state, a topic on which Finer wrote widely elsewhere.

If the advances in technology and communication have greatly increased the capacity of governments to rule, they have also, in the democratic world, extended the ability of the population to defend themselves against government. Finer is adamant that the history of government has not followed a linear evolution 'The dead-ends are so many, the breakdowns and reversions to barbarism so frequent and widespread, that it would be altogether misguided to think in terms of progressive evolution (p. 94).' Yet comparing the message of the

last part of the book with that of the first volume, 'Ancient Monarchies and Empires', will make many readers thankful for the triumph of the Forum type in much of the developed world, and the decline of the Palace polity. One of the abiding contrasts is between the artistic achievements of so many of these empires, and the wretchedness of their inhabitants. Of the Caliphate, Finer comments that it is remarkable that 'so brilliant and creative a society and culture could give rise to so impoverished a system of government (p. 727)'. Regarding the Egyptian New Kingdom, Finer alludes to its brutality, especially the cruelty of its punishments and 'the living death of the Nubian gold-mines (p. 203)'. The Assyrians gave their subject peoples nothing in return 'for their massive exploitation and oppression (p. 237)'. The Han regime in China might stand out in its religious tolerance; it hardly did so in what Finer calls the 'terrible harshness' of its penal system (p. 518). Under such forms of government, the life of man was not solitary; but it was usually poor, nasty, brutish and often cut short.

It is no criticism of such a splendid book to identify one gap. Finer's study begins in historic times, when written records become available. He is talking of what can, at least loosely, be called the state. What we do not know is how men were governed before the advent of the great kingdoms and empires, or indeed why people submitted to the new rulers. There are hints about government before the state, but nothing more.

Finer faithfully evokes both the splendour and the misery of the ancient empires. This modern Prospero takes us with such skill through the glittering palaces and the shining temples, but then shows us the helplessness of the poor, the abject suffering of the slaves, and the terror of the conquered populations. The reader asks, with little Peterkin, 'But what good came of it at last?' At the end of Finer's 1,700 pages, he may well wonder whether the trade-off between Hobbes' state of nature, and living under the Leviathan, is quite as clearcut as Hobbes thought.

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ADMINISTERING THE SUMMIT: ADMINISTRATION OF THE CORE EXECUTIVE IN DEVELOPED COUNTRIES

B. Guy Peters, R.A.W. Rhodes and Vincent Wright (eds)
 Macmillan, 1999. 275 pp £47.50

This study of 'core executives' is a product of the extensive 'Whitehall Programme', sponsored by the ESRC, that now totals six titles in the series, some devoted to aspects of British government, others – including this volume – explicitly comparative, placing the British experience in a wider context. *Administering the Summit* also marks one of the last of many projects with which the late Vincent Wright was associated.

Apart from the introductory chapter and a rather short conclusion, the main attention is given to detailed accounts of 'summit administration' in a range of developed countries, 12 in all. The majority are from Western Europe, but also the United States, Japan, Australia and Canada. Most contributors write with admirable concision, and they had freedom to discuss their summit on its own terms rather than adhere to a standard set of rubrics. This choice of approach makes it difficult to make direct comparison of one system with another, but it is understandable given the diverse factors that have to be taken into account and the different contexts in which core executives operate. Thus due weight has to be given to historical influences, constitutional features, party-political factors and, in studying more recent developments, to the priorities set by the heads of government.

In view of these considerations, it is no wonder that there are striking contrasts in the understanding, the functions and composition of the 'core'. Consider the Italian example: Sab-

ino Cassese draws attention to the vast network of 4,000 employees of the premiership, with no fewer than 451 individuals identified as the 'staff' of the prime minister. Contrast that figure, and its bureaucratic implications, with the situation in Denmark (Tim Knudsen), under the disarming title, 'How Informal Can You Be?'.

Many readers will already be reasonably informed about the structure of the summit in the larger countries, Britain, France, Germany and the United States. Others are perhaps less well known – Denmark, Greece and Spain, for instance. What should be stressed is that all the authors have written with the benefit of their ongoing research, often with access to material that is not generally available, and they make a particular point of examining the significance of recent developments.

The book as a whole will satisfy most readers, those whose interest lies in gaining knowledge about core executives of one or more countries. Others, however, looking for broad comparative generalizations and new theoretical insights may be less happy. Why should this be so?

In their introductory chapter, the editors show the difficulties in the way of direct comparison. One might suppose that a 'core' is fairly easy to specify, but in fact there is a bewildering list of complications. The summit institutions are usually differently structured and there is the shifting nature of executive responsibility with which to contend. Straight comparison is likely to become bogged down in locating 'functional equivalences'. Further complications are likely to arise from the frequently ill-defined role of 'unofficial advisers' and the wide ambit they are often allowed. All these considerations are further complicated by the impact of frequent measures of reform and changes in summit leadership. Finally, how should we judge the relative effectiveness of individual summits, given the many variables and different nature of the tasks that they are required to perform?

One way out of this impasse might be to devise ways in which the various summits could be differentiated and then allocated to one or another broad groups and thus devise a working typology which would give a basis for generalization. However, the alternative chosen by the editors is to specify the various 'trends' and pressures that core executives share, such as the need for greater policy co-ordination, the increase in diverse electoral pressures, and so on. A general response has been the trend to a greater centralization, and that is shown most visibly in the drift towards the personalization of political authority, with Britain as a leading example.

These factors all act to strengthen the core executive. Yet at the same time, as the editors argue, the centralized state is weakened by other pressures: global economic forces, territorial restructuring of the state, and with particular relevance to several countries in this collection, the effects of closer European integration.

It will soon become clear to any reader that the apparent simplicity of the concept of the 'core executive' is entirely misleading and that attempts to make straight comparisons are likely to be counter-productive. Comparison in this field has the useful role of winning a better understanding of the nuances and particularities involved, rather than running the risk of easy generalization. That is a conclusion with which Vincent Wright would surely have agreed.

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REGULATION INSIDE GOVERNMENT: WASTE WATCHERS, QUALITY POLICE AND SLEAZE BUSTERS

Christopher Hood, Oliver James, George Jones, Colin Stott and Tony Travers

Oxford University Press, 2000. 281 pp. £42.50

All sections of British government during the 1990s experienced an exponential growth in the audit, inspection and regulation of their activities, part of the reforms associated with the new forms of public management. While there is a considerable literature that analyses the origins and content of new public management, there is far less known about the process of audit, inspection and regulation of government by government. This book makes an important contribution to addressing this deficit. By providing an analysis that offers definition, measurement, categorization and scrutiny of different forms of regulation, this book cogently sets out a research agenda for a second-generation examination of new public management in British government.

The first section of the book provides the reader with a ruler to measure the scale of regulation within government. This, however, is not straightforward, the practice of regulation varies considerably according to the organizations being regulated and their relationship to national government and the regulators. The scale of the growth of regulation in government is clinically dissected. This provides the reader with a clear definition of the regulation industry and is accompanied by a comprehensive review of the different tools, characteristics and behaviour used to regulate government and a balance sheet of the growth of regulation and its size. Although some of this information has been published elsewhere, it nevertheless still makes impressive reading and makes an excellent introduction to the rest of the book.

The book's second section applies the theoretical matrix set out in the first section to analyse the instruments of regulation and how they are used to set standards, gather information or modify behaviour in five case studies. This framework provides a useful comparative analysis of the regulatory regimes, which monitor Whitehall, local government, the prison service, state schools and that provided by the European Union. Whitehall, the authors conclude, experiences only a 'light touch', while local government, on the other hand, experienced a sliding scale of regulation, which ranged from advice, similar to an external consultant, to more draconian threats of intervention. A similar approach is used to improve performance in state schools, although the principle regulatory agency has so far only occasionally used these powers. The regulatory regime for the prison service, argue the authors, is remarkably dense, with different regulators being responsible for similar areas. The last case study, on eurocratic regulation, however, deserved more space and in the absence of more detailed background material, the argument seemed too compressed.

Throughout the case study section a number of themes recur, regulatory regimes seem often uncoordinated, even when it might be expected that there would be operational co-working. It is commonplace for the regulatory regimes to give only cursory consideration to the compliance costs or how their work could be more effectively co-ordinated. These findings are not surprising; the authors state that only occasionally regulators meet to discuss common issues or interact in other ways. The book concludes by asking the question. 'Who regulates the regulators?', because only exceptionally are the regulators' own tools used to measure, improve or change their own activities.

Yet, while this volume is a delight, for this reader, there were areas where the arguments could have been extended. The section on local authorities, for example, provided few new insights into this particular regulatory regime and how it affects the behaviour of local government actors. The issues of how regulation fits with the new forms of governance and whether regulation could ever help overcome the democratic deficit could also have been developed further. The case for reform assumes that publicly funded bodies will continue to be subjected to similar levels of audit, inspection and regulation for the foreseeable future. While, more

generally, it is left for the reader to decide whether the outputs by regulatory bodies have contributed to a political environment where public officials are routinely treated with suspicion.

Nevertheless, in spite of these criticisms, this book is to be highly recommended to all students of public administration. It has an impressive bibliography and provides useful historical context. It will provide an invaluable foundation for others who wish to research further the regulation of government.

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UNFINISHED BUSINESS: REFORMING THE HOUSE OF LORDS

Ivor Richard and Damien Welfare
Vintage, 1999. 226 pp. £6.99

This is an excellent little book on a highly topical subject. It argues the case for the House of Lords to be reformed into a two-thirds elected and one-third appointed body. This was the position taken by Ivor Richard when he was Leader of the House as a member of Tony Blair's Cabinet from May 1997 to July 1998. Previous to that he had been leader of the Labour peers for five years, during which time the Party in opposition had developed its commitment to the two stage reform of the House, first the removal of the hereditary peers, then the establishment of a 'more democratic and representative House', as the party manifesto had put it. Ivor Richard's co-author, Damien Welfare, worked as his special adviser while he was in the Cabinet, and before that for some ten years dealt a good deal with the House while parliamentary adviser to the Association of Metropolitan Authorities. Both authors therefore write with a great deal of close practical working knowledge of the House.

When Ivor Richard was abruptly sacked from the government, tributes were paid to him in the customary way in the House of Lords. He responded to these by saying such occasions were rather like attending one's own funeral, though with the difference that the corpse was given the right of reply. This book is part of his reply. Another kind of reply was made by his wife, Janet Jones, in her much publicised book *Labour of Love*, the partly political diary of a cabinet minister's wife, also published in 1999. That tells us about Ivor Richard's negotiations with his Conservative Opposite number, Lord Cranborne, and the considerable common ground there was between the two, and also about the increasingly hostile approach towards a reformed House containing any substantial elected element that developed within the Labour Cabinet. Interviewed a short while after his dismissal in the *New Statesman*, Ivor Richard said he was unable to comment on the difference between his views and those of the Prime Minister on Lords reform because he had no idea what Tony Blair's views were having 'never talked to him about it', adding: 'I don't think his mind has been engaged with this in any concentrated way'. Two years earlier in his John Smith Memorial lecture, Mr Blair had spoken in favour of an elected second chamber. If hereditary peers were to be removed, the second chamber had to be made more democratic, representative and therefore elected. At least that seemed to be the position. But it was of course one that had not been properly thought out. And in office it rapidly became clear that what the Prime Minister and most of his colleagues wanted might be a 'modernized' House (one without hereditary peers), but also one that was certainly no more assertive than the existing tame and inhibited chamber.

Ivor Richard (who sat in the Commons from 1964 to 1974) argues that the real problem is not imbalance between the Commons and the Lords, but between government and Parliament, and that a strengthened second chamber would help redress this imbalance. The Lords must be reformed in order to strengthen Parliament as a whole. But how should this be done? The

book carefully weighs up the arguments for nomination, indirect election and direct election. The conclusion is clear. Direct election is the only means that can provide a chamber with sufficient confidence to withstand the executive and actually use the limited formal powers it is allowed to retain. But election should be by some means quite different from that used for the Commons, with longer terms and a larger multi-member territorial base. Furthermore, because the House benefits from the cross-bench element it already possesses, up to one-third of the reformed House should be appointed to retain this by and large independent and expert element. Unlike the elected members, the authors say that those appointed should still sit for life to ensure maximum independence, without considering as an alternative lengthy fixed term limits. The whole argument is bolstered by a chapter analysing the work of the House, with examples of cases where the House has failed in its revising role, and cases where it 'has done the job in spite of the arithmetic'.

The book was published while the Wakeham Commission was sitting, so it does not engage directly with the conclusions of that body. But it provides a very useful, well-informed and clear argument for reform of a much bolder kind than that contemplated by the timid Commissioners. Alas, the authors are likely to be disappointed!

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THE POLITICS AND POLICY OF LOCAL TAXATION IN BRITAIN

Allan McConnell
 1999. 189 pp. £16.99

This book aims to fill a gap in the literature on local taxation for students, by integrating technical and political issues. It provides a brief history of local taxation prior to 1945, a review of the recurring crises in local taxation since then, an analysis of political conflicts over local taxation, three chapters on forms of local taxation, a review of international patterns of local taxation; and a conclusion on the problems of finding the 'ideal' local tax.

The central argument is one of central domination, yet vulnerability, because local taxation is prone to crisis triggered by 'crisis agents'. The author argues in the conclusion that: there is a need for a new, more expansive set of criteria for the ideal tax than developed in recent green papers and government reports; the current council tax system is close to the ideal; and he does not expect further major reform.

The book is sensibly structured and easy to read, apart from the occasional lapse into concepts of Marxist analysis, which should have been either developed more systematically, or eliminated. The book is not, however, a work of original research or interpretation. It relies heavily on secondary sources, has surprisingly little financial data for a text on local taxation, and follows a standard interpretation of the problems of local taxation. McConnell applies alternative labels to key concepts: his *crisis agents* are simply factors which can trigger fiscal crisis, *central vulnerability* is simply another way of saying that command and control approaches to local government finance can result in unanticipated consequences and policy messes *à la Rhodes*, and his political criteria for an ideal tax – the need for consistency with governing strategy and support from a range of political alliances – is simply incrementalist theory that successful policy is based on political feasibility and acceptability.

Particularly surprising for a book on the politics of local taxation is the absence of any exposition of the concepts of fiscal stress and fiscal crisis, as developed in the eighties. Finally, the author omits any discussion of the disruptive effects of structural reorganization on the rates crisis of the 1970s, and of the recent fiscal crisis in Scotland following reorganization in 1996.

The book is essentially, therefore, an introductory text for politics students. It tackles the material in a balanced way, particularly the evaluation of alternative forms of local taxation, but lacks a systematic analysis of the place of local taxation in the local finance system. The problem is there are few courses on local taxation in isolation so the market will be limited. It is clearly written, however, and certainly deserves a place on the supplementary reading lists of classes in *local government and public finance*.

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SOCIAL SCIENCE IN GOVERNMENT: THE ROLE OF POLICY RESEARCHERS

Richard P. Nathan

Rockefeller Institute Press, 2000. 213 pp, £28.00

The role of social science in politics, policy making and public administration is becoming a research area of its own. What is and what should be the proper role of social science and social science research results in public sector decision making? Earlier ideas that social science should inject large doses of evidence-based information into public policy making in order to drive out politicking, tacit knowledge, and rules of thumb have been discarded.

On the theme of utilization-of-science, Richard P. Nathan has revised a book published 12 years ago and added five new chapters. The author, a professor at Princeton, seems to have passed a great part of his career in government or doing government-sponsored policy research. This gives a particular flavour to his book because it contains a wealth of information on actual implementation and evaluation of various programmes. It is a person with impressive experience that speaks to the reader on these pages.

The key distinction in Nathan's book is between demonstration studies and evaluation studies. Demonstration and evaluation researchers ask the same bottom-line question: what happened as a result of this pilot or ongoing programme that would not have happened if the programme being studied had not existed? (p. 104). A demonstration programme is a try-out, a pilot project, something expressly provisional, whereas evaluation is concerned with permanent programmes. I have no quarrel with this distinction, although it should be said, perhaps, that in most literature, studies of implementation, outputs and outcomes of both programme types are usually called evaluation.

The term 'demonstration' sometimes covers projects where money is the most important factor to the demonstration community and the genuine research purpose is nil. Nathan of course is interested in 'demonstration research as a type of applied social science, conducted under conditions in which trained researchers apply their tools to produce results that can be used by policy makers to decide whether or not to adopt a particular course of action' (p. 37).

He provides an unsurprising but useful overview of 'the vocabulary of demonstration research: treatment (intervention), counterfactual state, experimental approach using random assignment, control group, quasi-experiments, comparison group, dependent and independent variables (pp. 38–40). He describes at length and with insight what is probably the world's most famous and most researched demonstrations: the Negative Income Tax Demonstration as set up in New Jersey and in Seattle/Denver (pp. 40 ff.) His conclusion is the same as that of many other scholars over the years. The high hopes of the supporters of demonstration research failed to materialize.

The author himself was actually involved in the appraisal of the Negative Income experiment, and he is sceptical but not entirely negative towards demonstration programmes. He agrees with other critics that demonstration programmes are costly and time-consuming. Then

he formulates three explicit conditions which must be fulfilled for demonstrations to be undertaken: (1) politicians and programme administrators must be genuinely interested in the new policies or major new programme departures to be tested; (2) they must be uncertain as to how they will work; (3) they must be willing to wait for the results of a demonstration study. The negative income tax experiments did not satisfy the first of these conditions, the impetus of the demonstration came from the research community, not from the world of policy making

Nathan is sceptical of demonstrations that are highly visible and universal in the sense that if adopted a programme would apply to everyone in the country who is eligible. After a national debate on such a policy change where it becomes widely known that the rules of the game have changed because a universal programme has been adopted, there is every reason to expect that people exposed to the new programme will change their behaviour in ways that cannot be known in a research environment in which such a debate and event has not taken place. He seems to suggest that debate is the problem (pp. 51–52). On the other hand, service-type interventions are not as intrusive. A new service programme involving say intensive job training is not likely to change attitudes and behaviour in the society at large because fewer people will be aware that such a new policy has been adopted.

Nathan talks about two types of demonstration research that has been conducted with random assignment: *income maintenance programmes and service-type programmes*. Service-type programmes, he argues, is the most appropriate area for the application of randomized demonstration research and argues that demonstration research should be undertaken on new programmes, not ongoing or recently terminated ones. The aim of such studies is to compare the effects of a tested new program to the counterfactual state – that is, the situation that would have obtained without the treatment' (p. 59). To perform this type of causal analysis, random assignment is best, argues Nathan (p. 64). But there are alternatives of course to this, such as before-and-after design and comparison-site approach. Nathan does not directly reject these but argues that they are weaker on causality (p. 65).

Demonstration studies with random assignment to two groups are certainly not easy to perform. Nathan nicely outlines nine hurdles of demonstration research, informed by the practical case knowledge he has acquired doing field research or being responsible for various demonstration projects himself. The way the general argument is illustrated by deep case examples is one of the book's strengths.

His reasoning can be illustrated with the following examples. On null hypothesis Nathan maintains that if funders are going to the expense of conducting a demonstration research project with random assignment, such studies should be of policy interventions that can be expected to make a discernible difference in the lives of the people treated. Conclusion: don't do random assignment studies on small and short interventions .¹²

On relations with programme operators he says that these people may not want to assign needy people, who would otherwise be eligible for a social treatment, to a no-treatment group for the sake of the experimental design, to have them change their minds may involve intricate negotiations. And on treatment of human subjects he says: informed consent is necessary but this may have undesirable effects; people may react to what they are told about the treatment and what is expected of them instead of the treatment; they may undermine the treatment and see to it that it succeeds (the Hawthorne effect).

In evaluation studies, as opposed to demonstration studies, it is much more difficult to know the counterfactual. We can never have a perfect situation for solving this issue, one in which the same person or group is both treated and untreated by a given programme. In Nathan's mind, the next best solution is randomly to assign a number of eligible persons to treatment and non-treatment groups and compare the differences between the two groups in terms of the outcomes a given programme is supposed to produce. However, in the case of an evaluation study, the suggestion that a research design should be adopted that will evaluate the programme by randomly excluding some participants from it is frequently and strongly resisted (p. 105).

As alternatives to randomized studies, Richard P. Nathan suggests matched controls or 'comparison sites', and statistical simulation techniques to create a baseline for comparison in

studies to test new policy approaches. Other alternatives are benchmarks based on past research, and the views of experts.

Interestingly but not entirely persuasively, Nathan argues that this is 'the crucial intellectual difference' between demonstration and evaluation research. Demonstration research focuses on individual outcomes. Will a computer-assisted reading remediation programme help children learn to read? If it is shown to have a significant positive effect, it may well be decided to adopt a national programme in the form of a grant-in-aid from the federal government to the states to advance this purpose. Or the federal government may try to influence localities. Localities in turn frequently contract with profit or not-for-profit organizations for the services provided. In essence, politicians are seeking to influence institutions. Evaluations, consequently, will deal with organizational changes. Evaluators have to understand how organizations behave.

We do not experiment with institutions, argues Nathan. It would be difficult to get informed consent from local governments for instance. The way researchers deal with causality is also very special in cases of institutional changes. Nathan argues that the most common method for studying the behaviour of institutions is to observe them closely in order to make informed judgments about how a given stimulus or public programme appears to have affected their behaviour. What researchers do in such a situation is model the counterfactual on the basis of their understanding of the behaviour or the types of organization being studied.

Richard P. Nathan has written a stimulating book. The major strength of the work probably lies in the combination of methodological insights at the theoretical level with a wealth of empirical cases and illustrations. Space does not permit a lengthy discussion of its weaknesses and omissions. Let me just identify two omissions. The entire book seems to centre on goal-achievement measurement in combination with effects analysis. It would have been interesting if Nathan had shared with us his views on side effects, stakeholder involvement in evaluation and client-oriented evaluation.

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CRITICAL ISSUES IN CROSS-NATIONAL PUBLIC ADMINISTRATION: PRIVATIZATION, DEMOCRATIZATION, DECENTRALIZATION

Stuart S. Nagel (ed.)
Quorum Books, 2000. 260 pp. £52.50

This collection of essays deals with three central aspects of modern governance, those of privatization, democratization, and decentralization. The aim of the book is to address these issues by discussing how their conflicts of authority can be solved in a way benefiting all stakeholders. In the introductory chapter, Stuart Nagel, who has published extensively on public policy, gives examples of how such a win-win policy may materialize. With regard to privatization in post-communist countries, for instance, Nagel suggests that one way of solving the conflicting considerations of *productivity* versus *equality* would be for the government to own industries and have them run by the private sector through leases. This is because competition is more important to prosperity than the type of ownership. With regard to democratization, Nagel sketches a South African win-win strategy consisting of a system of one-person one-vote in addition to political and economic guarantees for whites and affirmative action for blacks. Although the actual solution chosen by South Africans may not be, in Nagel's words, super-optimal, it still stands in stark contrast to other African solutions, for example the Kenyan way of encouraging ethnic clashes rather than securing legal guarantees. With regard to

decentralization, Nagel deals both with central versus local government relations, with government-business relations, and with the conflict between governmental and individual decision making. With regard to government-business relations, for example, a win-win situation is one in which the adoption of new technologies is neither up to business alone nor to government alone. Rather, the government can encourage business to adopt new technologies, for example by introducing a payroll tax of 2 per cent, which does not have to be paid if firms spend an equal amount on investing in new technology. Each of the book's remaining chapters considers such win-win dynamics to varying degrees.

The book is conveniently divided into three parts, each dealing with one of the issues referred to in the title. Part one about privatization consists of five contributions. Bonu N. Swami describes the Botswanan experiences with government-owned companies. The story is interesting because Botswana apparently has avoided lapsing into the trap of rent-seeking activity, which government monopoly has invited in many other African countries. This, according to Swami, could be due to the many external controls that the government has instituted. With a view to the Indian case, Pradeep K. Saxena discusses how public sector enterprises can be formed to provide both market gains and political support for the government. The solution could be to convert them into government-owned companies that compete with private sector enterprises. Stanka Setnikar-Cankar looks at ways to improve public services without compromising the citizens' equal rights to have access to such services. This can be done through different degrees of market-oriented measures without letting economic criteria become dominant. The fourth and fifth chapters about privatization both deal with issues in the US. Sherry J. Fontaine asks how non-profit organizations can maintain their mission when they receive government funds. Her answer is that non-profit managers should seek a middle ground balancing the financial needs of organizations and adhering to the mission by continuing to provide services to the originally defined population. In chapter five, Douglas Jones and Bradford Tuck tell the story of the sale of the Alaska Communication Service in 1968. Current privatization processes could well be informed by this story, because rather than merely selling to the highest bidder, the terms of the sale made both a reduction in the price of the services, major investments, and expanded services to rural areas, possible.

Part two has four chapters all addressing issues of democratization. John Harbeson suggests ways, in an African context, to test the thesis about democracy leading to peace. He argues, rightly, that democratic peace theory must face the distinctiveness of Africa. One might add that addressing the issue of state building and state reconstruction would be essential to resolving conflicts in Africa. Xunda Yu provides a thorough analysis of how to promote a constitutional order in China, and Sushil Kumar discusses ways to resolve the tensions between a UN model and a global model of democracy. He emphasizes that the countries of the third world regard a democratic world order as necessary for their state-building processes. In chapter nine, He Li poses the question whether globalization leads to democracy and finds, through quantitative methods of testing, that economic globalization does not lead to democracy unless a high level of economic development and education is present. He observes, for example, no significant relationship between democracy and free trade.

The third and final part of the book concerns decentralization and consists of three contributions. Dora Orlansky discusses the concept of decentralization and its various meanings. She then describes how, in Latin America, experience has shown that decentralization alone cannot improve service delivery if institutions are weak. The solution may be continuous negotiation and compromise between central and local levels of government. Neelima Deshmukh describes the Panchayat (local assemblies) system in India. The system's efficiency declined through the 1960s and 1970s. But since the mid-1980s there has been an interest in reviving it and this resulted in a Panchayat Raj Act in 1992. The author stresses the importance of strengthening this system, particularly because of its potential to promote agricultural development in the rural areas. In chapter 12, Stephen Page closes the book with an interesting analysis of ways to carry out partial devolution of state human services in the USA. He advocates a system of collaborative adjustment in which service strategies are integrated horizontally instead of separated in different vertical programmes. Services would then be better

designed to meet the particular needs of individual families. Such a system involves collaboration at state, country and neighborhood levels, new approaches to allocate funding, evaluation based on community-wide measurement of outcomes achieved, state-local partnership arrangements and iterative revision in order to be able to adjust strategies continuously to reach desired outcomes. Collaborative adjustment provides a win-win alternative to existing systems of human services in which rules are designated centrally. It combines the virtue of existing systems (uniform standards) with the responsiveness to needs that exists at the community level.

Critical Issues in Cross-National Public Administration provides many interesting accounts of how to reach win-win solutions to conflicts of authority, and it deserves a wide audience. One may wonder why, when the aim is to discuss win-win situations, no contributions refer to recent literature on state-society synergy. Judith Tendler's examples of good government in the tropics or Peter Evans' work are cases in point. In addition, the wide aim of the volume inhibits a precise focus. The chapters on global democracy and peace thus tend to depart considerably from the concerns of the other contributors. The book is, nevertheless, a timely contribution to the debate on some of the most crucial issues in modern government.

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CALL FOR PAPERS

British Journal of Industrial Relations

Special Edition: Politics of Employment Relations

The editors of the *British Journal of Industrial Relations* are planning a special edition in 2003 on politics and employment relations. We are particularly concerned to enhance the interchange of ideas and empirical material between the discipline of politics and the field of industrial relations. The overall focus is the impact on employment relations of the changing nature of states and political systems. We see this as embracing a number of themes, including the changing form of state intervention, current agendas in state intervention, and the contribution of political theory to the analysis of the employment relation. We welcome proposals on any topic, including theoretical and methodological issues.

Areas could include: globalisation and the implications for national state intervention and employment relations; super-national institutions and employment relations; multi-level systems of governance and partnership models; and political action addressing topical issues such as work-life balance, corporate governance, equal opportunities, skill enhancement and lifelong learning and the regulation of non-standard work. Submissions that extend current concepts and debates in political theory or science to industrial relations – e.g. social capital, political philosophy of rights, policy network theory, decline of mass parties, would be especially welcome.

The special edition will be edited by Stephen Wood, Stephen Ludlam, and Andrew Taylor (all University of Sheffield) and Edmund Heery (Cardiff University). Prospective authors are asked to submit a proposal for a paper to Sylvia Roesch at the *British Journal of Industrial Relations* office by 30 November 2001. This should be not more than 2000 words.

The editors of the special edition will referee the proposals. A conference will be organized to discuss the first drafts of all selected papers in Windsor Great Park in September 2002. These first drafts will thus be required by August 1st 2002. All papers will subsequently be subjected to a refereeing process involving the editors of the journal and others who will act as discussants at the conference.

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Stephen Wood, Chief Editor

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